



Question and Answer Guide

The JSE Equities Compliance Officer Examination

February 2018

Disclaimer

This Question and Answer Guide has been produced as a guide, at a given point of time and in an abbreviated form, to the more important provisions of the Financial Markets Act 2012 (Act No. 19 of 2012) ("the Act") and the JSE Equities rules and directives, for the purpose of the JSE Equities Compliance Officers Examination. Given the compressed and dated nature of the contents of a document such as this it should not be construed as the JSE's full and official interpretation of the Act, rules and directives and other related legislation. The JSE does not accept any responsibility or liability for any errors or omissions in the formulation of the answers to the questions given, nor for any consequential claims arising therefrom. Accordingly, the JSE accepts no responsibility for any transactions or actions entered into as a result of the contents thereof.

Contents

Introduction	3
Structure of the JSE Equities Compliance Officers Examination.....	3
Version Control	3
General.....	4
Authorisations and Approvals.....	5
Management and Control.....	12
Prudential Requirements	17
Trading	27
Market Conduct	39
Conduct of Business.....	41
Client Assets.....	61
Settlement.....	68
Complaints and Disputes	76
Supervision and Enforcement.....	80
Default.....	82
Krugerrands.....	83

Introduction

This Question and Answer Guide is the syllabus of the JSE Equities Compliance Officers Examination prescribed by the JSE in terms of equities rule 4.30.1. The syllabus is comprised of questions and answers arranged in the themes set out in the table below. Each theme may consist of definitions, rules, directives or Sections of the Act related to the theme.

Theme	Section	Questions
General	Section 2	1 to 7
Authorisations and Approvals	Section 3	8 to 41
Management and Control	Section 4	42 to 64
Prudential Requirements	Section 5	65 to 96
Trading	Section 6	97 to 170
Market conduct	Section 7	171 to 176
Conduct of Business	Section 8	177 to 290
Client Assets	Section 9	291 to 324
Settlement	Section 10	325 to 357
Complaints and Disputes	Section 11	358 to 385
Supervision & Enforcement	Section 12	386 to 391
Default	Section 13	392 to 396
Krugerrands	Section 15	397 to 407

Structure of the JSE Equities Compliance Officers Examination

The exam consists of 65 questions randomly selected from the syllabus. It is not a multiple-choice examination and there is no negative marking. Mark allocations vary, ranging from half a mark to twelve marks per question.

A number of questions and answers with a zero-mark allocation have been included in the Question and Answer Guide for completeness and to give candidates a broad view of the contents of the JSE Equities rules and directives and the Act. **However, it is important to note that candidates will not be tested on these questions.**

The duration of the examination is two hours. A total of 65 questions for 130 marks will be asked and a candidate must achieve 65% to pass the examination.

Version Control

Version	Date	Updates
1.1	August 2011	Creation of updated examination based on February 2011 JSE equities rules and directives
1.2	August 2013	Amendment to question 91
1.3	October 2013	Amendment to question 88
1.4	May 2015	Update of material based on changes in Act, rules and directives
1.5	July 2016	Update of material based on changes in rules due to T+3
1.6	March 2017	Section 13 questions added
1.7	February 2018	Questions 130, 133, 135 and 142 updated

General

Question	Reference	Marks
1	Rule 1.40	0.5
Define "controlling body"		
The board of directors of the JSE which is the governing body managing the affairs of the JSE.		
2	Rule 2.20.2	0
What is the function of the advisory committees?		
The function of the advisory committees is to make recommendations to the JSE Executive on operational issues.		
3	Rule 2.30.1	3
What is the purpose of the rules and directives?		
The purpose of the rules and directives is to achieve the objects of the JSE as set out in its Memorandum and Articles of Association by providing the procedures necessary to establish and regulate fair and efficient markets and to ensure that the business of the JSE is carried out in an orderly manner and with due regard to the objects of the Act.		
4	Rule 2.30.2	0.5
Who are the directives binding on?		
The directives are binding on members and their employees.		
5	Rule 2.30.2	1.5
Who are the rules binding on?		
<ol style="list-style-type: none"> 1. The rules are binding on members and their employees; and 2. The rules are binding on any person utilising the services of a member or who concludes a transaction with a member in the course of that member's business. 		
6	Rule 2.40	0.5
On what specific condition must every transaction in equity securities entered into by a member be concluded?		
On the specific condition that the transaction is entered into subject to the Act, the rules and the directives.		
7	Rule 2.50	0.5
With whom does the interpretation and enforcement of the rules and the directives vest?		
The controlling body.		

Authorisations and Approvals

Question	Reference	Marks
8	Rule 1.40	1
Define "agency office"		
An office which does not undertake any of the functions of a branch office but which can undertake scrip and cash settlements.		
9	Rule 1.40	1
Define "branch office"		
An office of a member, other than its primary or head office, which can perform trading services and investment services.		
10	Rule 1.40	0.5
Define "JSE listed securities"		
Those listed securities included in the list of securities kept by the JSE.		
11	Rule 1.40	0.5
Define "member"		
An equities member, which is a category of authorised user admitted to membership of the JSE under the rules.		
12	Rule 1.40	0.5
Define "non-executive director" of a member.		
A person appointed as a director of the member under the Companies Act who is not employed by such member.		
13	Rule 1.40	1
Define "nominee register"		
The electronic record of ownership of uncertificated equity securities balances of controlled accounts maintained by a CSP.		
14	Rule 1.40	2.5
Define "regulated services"		
Those securities services and other activities which are regulated by the JSE and which the JSE authorises members to perform, namely :		
<ol style="list-style-type: none"> 1. trading services; 2. investment services; 3. custody services; and 4. money broking. 		

Question	Reference	Marks
15	Rule 1.40	1
Define "trading services"		
The execution of transactions in equity securities by a member :		
<ol style="list-style-type: none"> 1. for the member's own account; and 2. with or on behalf of a client. 		
16	Rule 1.40	1
Define "trading services provider"		
A member which has been authorised by the JSE to perform trading services in terms of the rules.		
17	Rule 1.40	0
Define "TSP"		
A trading services provider.		
18	Rule 3.10.3	1.5
What regulated services are authorised by the JSE?		
Trading services, custody services and investment services.		
19	Rule 3.10.3.2	0.5
What regulated service must an applicant have applied for authorisation to perform in order to apply for authorization to perform investment services?		
Trading services.		
20	Rule 3.20	7
What are the requirements to be admitted as a member and to remain a member?		
Must :		
<ol style="list-style-type: none"> 1. Be incorporated and registered as a domestic company under the companies Act; 2. Only appoint executive and non-executive directors who comply with the fit and proper requirements; 3. Ensure that a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of the applicant or member complies with the fit and proper requirements; 4. Appoint a compliance officer who complies with the fit and proper requirements; 5. Appoint a settlement officer and an alternate settlement officer who comply with the fit and proper requirements; 6. Appoint a CSDP, unless it only performs, or intends to perform, custody services and it does not require a CSDP in order to perform such services; and 7. Meet the specific conditions of membership relating to : <ol style="list-style-type: none"> a. resources procedures and systems; b. business activities and; c. financial resources. 		

Question	Reference	Marks
21	Rule 3.30.1	3

What are the minimum conditions relating to resources, procedures and systems which an applicant for membership and a member are required to satisfy in order to be granted and to retain membership and to be authorised to perform regulated services?

1. A member must employ adequate resources, procedures and systems necessary for the effective performance of the regulated service which the member provides and for ensuring compliance with the Act and the rules and directives that are relevant to the performance of such regulated services and ensuring compliance with the Financial Intelligence Centre Act.
2. A member must ensure that its employees are suitable, adequately trained and properly supervised

22	Rule 3.30.2	2.5
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What must the dominant business activity of a member be and what may be included in the scope of a member's business activities?

1. The dominant business activity of a member must be the performance of regulated services in respect of JSE authorised investments.
2. The scope of a member's business activities may also include the management of investments or provision of advice in relation to other financial products, subject to the member having been granted the appropriate licence to conduct such activity in terms of the FAIS Act.

23	Rule 3.30.2	1
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In what circumstances will activities not related to regulated services or services provided in terms of the FAIS Act be deemed to be part of the business activities of a member?

Any activities which are a regular feature of the member's business and are held out by the member, in any communication with any person, to be part of the business activities of that member, will be deemed to be part of the business activities of that member.

24	Rule 3.30.3	4
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What are the minimum conditions relating to financial resources which an applicant for membership and a member are required to satisfy in order to be granted and to retain membership to be authorised to perform regulated services?

1. A member must on admittance and at all times ensure that it maintains adequate financial resources to meet its business commitments and to withstand the risks to which its business is subject.
2. A member must on admittance and at all times thereafter hold adjusted liquid capital which complies with minimum requirements calculated in accordance with directive DC 2, sufficient to meet its base requirement and its risk requirement.
3. The base requirement of a member is the higher of :
 - a. an amount determined in accordance with the directives as being adequate to meet a member's fixed expenditure for a period of 13 weeks; or
 - b. R400 000.
4. The risk requirement of a member is the sum of its position, counterparty, foreign exchange, custody and large exposure requirements determined in accordance with the directives.

Question	Reference	Marks
25	Rule 3.40.3	4

Which intermediary services are members not permitted to provide?

1. Collecting or accounting for premiums or other monies payable by a client to a product supplier.
2. Receiving, submitting or processing the claims of a client against a product supplier in respect of :
 - a. a long or short-term insurance contract or policy;
 - b. a benefit provided by a pension fund organisation;
 - c. a benefit provided by friendly society or
 - d. a health service benefit provided by a medical scheme.

26	Rule 3.50	4
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What are the requirements to perform trading services?

1. An applicant for membership or a member must provide evidence to the satisfaction of the JSE that it is able to comply with the operational requirements set out in the directives.
2. An authorised TSP must continue to comply with the operational requirements on an on-going basis.
3. TSP with controlled clients must be authorised to perform custody services or must appoint a CSP and must establish and maintain a nominee company.

27	Rules 3.60.1/2	4
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What are the requirements to perform investment services?

1. An applicant for membership or a member must be authorised to perform trading services in respect of JSE authorised investments.
2. An applicant for membership or a member must provide evidence to the satisfaction of the JSE that it has employed or will employ adequate resources, procedures and systems necessary for the effective performance of investment services and for ensuring compliance with the Act, rules and directives.
3. An authorised ISP must continue to meet these requirements on an on-going basis.

28	Rule 3.60.3	2
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Can an authorised ISP conduct transactions on behalf of clients or provide investment advice to clients in JSE authorised investments, other than equity securities?

1. Yes, only after prior notification, in writing, to the Director: Surveillance of its intention to conduct transactions or provide advice in JSE authorised investments.
2. Notification is not required if the member will be conducting transactions in listed securities on another JSE market or another exchange as an authorised user of such market or exchange.

29	Rule 3.60.7	0.5
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What must an ISP do if it ceases to conduct activities in any JSE authorised investment, other than equity securities with no intention to resume such activities?

Notify the Director: Surveillance forthwith, in writing, of such cessation of activity.

Question	Reference	Marks
30	Rule 3.70	3

What are the requirements to be authorised to perform custody services?

1. An applicant for membership or a member must provide evidence to the satisfaction of the JSE that it is able to comply with the criteria to operate as a CSP, as set out in the directives.
2. An authorised CSP must continue to comply with the criteria on an ongoing basis.
3. If an authorised CSP provides custody services to controlled clients it must establish and maintain a nominee company approved by the JSE.

31	Rule 3.80	3
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What are the requirements to conduct money broking activities?

1. An applicant for membership or a member must provide evidence to the satisfaction of the JSE that it has employed or will employ adequate resources, procedures and systems necessary for the effective conduct of money broking transactions and for ensuring compliance with the rules relevant to the performance of such transactions.
2. A member authorised to conduct money broking transactions must continue to meet these requirements on an ongoing basis.

32	Rule 3.90	6
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A member who operates controlled client accounts is required to establish and maintain a nominee company. What requirements must be met?

1. The sole objective of the nominee company must be to act as the registered holder of securities exclusively on behalf of such member and its controlled clients.
2. The shares in the nominee company must be beneficially owned by and be registered in the name of the member.
3. The member must ensure that the nominee company incurs no liabilities other than those normally incurred as a result of acting as a nominee in respect of securities.
4. The powers of the nominee company must be limited to the sole objective of the nominee company and any other acts necessary to achieve the sole objective.
5. Use of the nominee company must be approved by the JSE on the basis that the member:
 - a. is an authorised CSP; or
 - b. has appointed a CSP to perform custody services on behalf of the member and has granted authority to that CSP to exercise control over the controlled clients' equity securities held in the name of the nominee company.

33	Rule 3.110	1
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What must a member wishing to effect a change in control of the member do?

Notify the JSE in writing of the change in control and the member may be required to re-apply for membership.

34	Rule 3.120.1	0.5
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How many days written notice must be given by a member to the JSE to voluntarily terminate its membership?

At least 30 days.

Question	Reference	Marks
35	Rule 3.130	3

In what circumstances may the JSE provisionally or finally terminate the membership of a member?

1. The provisional or final liquidation of a member or placed under business rescue proceedings.
2. The placement of the member under judicial management.
3. A disciplinary tribunal termination.
4. The default of a member.
5. A member fails to meet its membership requirements.
6. A member fails to make payment of any fees, levies, charges, penalties or subscriptions.

36	Rule 3.140	1.5
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What is the purpose of provisional termination of membership?

The postponement of the effective date of termination of membership to ensure that :

1. All obligations to clients have been met and ;
2. All transactions have been settled.

37	Rule 3.150	12
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What information must be furnished to the JSE in writing by a member in respect of its membership status?

1. Any change of name, address of any office, telephone, facsimile number, or email address.
2. Granting of an application for, or revocation of, any registration, authorisation or licence associated with its business as a member of the JSE.
3. Any circumstances relating to the liquidation or placement under judicial management of the member.
4. The prosecution or conviction of the member for any offence under legislation relating to banking, other financial services, companies, insolvency, insurance and pension and provident societies or any offence involving fraud or dishonesty.
5. Any change in the appointment of a compliance officer, a settlement officer or an alternate settlement officer.
6. Any person becoming or ceasing to be a director of a member.
7. Any change in the appointment of a person in control of a place of business.
8. Any change in the name of a nominee company.
9. Any event or circumstance which may affect an officer or a shareholder (who directly or indirectly holds 10% of the issued shares) meeting the fit and proper requirements.
10. The dismissal of an employee for committing or attempting to commit an act which is dishonest or fraudulent
11. Any person ceasing to be a registered securities trader of a member.

38	Rule 3.170	1
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Why must a member ensure that in its business relationships with other parties it does not facilitate such other parties holding out or in any way representing that all or part of their activities are part of the business of the member or subject to the rules, directives or regulation of the JSE?

The JSE provides specific safeguards and protections to clients of members.

Question	Reference	Marks
39	Directives AB 1 & AB 2	1

Whose written approval is required to carry on the business of a member either through the operation of an office or in any association such as via a corporate body, partnership or joint venture with an overseas stockbroker or an institution offering similar services?

1. Within the common monetary area;
2. Outside the common monetary area?

1. The JSE.
2. The JSE and the Exchange Control Department of the SA Reserve Bank.

40	Directive AC	0.5
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Whose prior consent is required to open or maintain a branch office or agency office?

The JSE

41	Directive AM	1.5
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Under what conditions could a member (host member) be permitted to enter into an arrangement to provide the full spectrum of accounting and administrative functions on behalf of another member (the satellite member)?

1. Subject to the written approval of the JSE.
2. If, in the opinion of the Director: Surveillance, the host member is adequately staffed and its administration is being conducted in an expert and orderly manner with all requisite controls in place.

Management and Control

Question	Reference	Marks
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42	Rule 1.40	0.5
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Define "employee"

An individual engaged by a member whose function relates to the provision of regulated services.

43	Rule 1.40	1
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Define "settlement officer"

An employee of a member appointed by that member in terms of the rules to manage the member's obligations in relation to the settlement of transactions in equity securities effected by that member.

44	Rule 1.40	1
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Define "alternate settlement officer"

An employee of either a member or a CSP appointed by such a member, fulfilling the function of the settlement officer in the settlement officer's absence.

45	Rule 1.40	1
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Define "compliance officer"

The person appointed by a member in terms of the rules to assist the board of directors of the member in ensuring compliance by the member with the Act, the rules and the directives.

46	Rule 1.40	1
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Define "officer" in relation to a member.

Includes any executive director, compliance officer, settlement officer or alternate settlement officer thereof.

47	Rule 4.10.1	1.5
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An officer or non-executive director of a member or a shareholder who is a natural person and who directly or indirectly holds in excess of 10% of the issued shares of a member must meet certain criteria, subject to waiver by the JSE. What are they?

1. Be of full legal capacity.
2. Not be an unrehabilitated insolvent.
3. Comply with such criteria of good character and high business integrity as the JSE deems fit.

Question	Reference	Marks
48	Rule 4.10.2	4.5

What criteria will be taken into account by the JSE in determining whether a person who is required to meet the JSE's fit and proper requirements is of good character and high business integrity?

The JSE will take into account whether the person has been :

1. Convicted of a criminal offence involving fraud or theft, dishonesty or market abuse.
2. Held civilly liable for fraud, theft, dishonesty or market abuse.
3. declared to have contravened legislation in respect of market abuse, money laundering or terrorist or related activity, with or without the imposition of an administrative penalty, whether in the Republic or elsewhere.
4. Disqualified by a court from acting as a director of a company.
5. The subject of a formal investigation by any regulatory or government agency.
6. Expelled, whether as an authorised user or otherwise, from any exchange or external exchange.
7. Employed by or associated with an authorised user of any exchange or external exchange, which authorised user was expelled from that exchange and where the person has, in the opinion of the JSE, contributed to the circumstances leading to the expulsion.
8. Declared a defaulter on the JSE or any other exchange or external exchange.
9. Refused entry to or expelled from any profession or vocation or been dismissed or requested to resign from any office or employment, or from any fiduciary office or similar position of trust.
10. Refused approval or had approval involuntarily withdrawn in respect of any status granted by a regulatory authority.

49	Rule 4.10.3	1
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What results in immediate disqualification of a person's fit and proper status?

1. Dishonesty or;
2. A deliberate omission in an application to the JSE.

50	Rule 4.20.1	2.5
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Members require the written consent of the JSE to employ certain persons. Who are they?

1. Any person who was an officer of a member expelled by the JSE.
2. Any person refused admission as a member of the South African Institute of Stockbrokers (SAIS) or any person expelled from membership of the SAIS.
3. Any person refused approval to operate as a financial services provider or an authorised representative in terms of the FAIS Act.
4. Any person expelled, whether as an authorised user or otherwise, from any other exchange.
5. Any person who is an unrehabilitated insolvent or has been declared a defaulter by the JSE or has been convicted of theft, fraud, forgery, or any other crime involving dishonesty.

51	Rule 4.30.1	2
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Which examination is a person to be appointed as a compliance officer required to have passed and what may the member be required to evidence to the Director: Surveillance if called upon to do so regarding the continuing obligations of the appointee after they have passed the exam?

1. The compliance officer examination prescribed by the JSE.
2. That he has subsequently maintained an adequate knowledge of the Act, rules and directives.

Question	Reference	Marks
52	Rules 4.30.1/2	4

What are the prescribed duties of a compliance officer?

1. To assist the board of directors in ensuring compliance with the Act, rules and directives.
2. With the necessary support and guidance from the board of directors of the member, implement the resources, systems and procedures required to promote and monitor compliance by the member and its employees with the Act, rules and directives.
3. Report to the Director: Surveillance any breaches by the member of the Act, rules and directives or any other issue considered by the compliance officer to be irregular.
4. Ensure that the content of the JSE Gazettes is communicated to and understood by all relevant employees.

53	Rule 4.30.4	1
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Who must assume the responsibilities of the compliance officer in his absence or where the post has become vacant and for what maximum period?

1. A senior employee.
2. For no longer than 2 months or such other period as the Director: Surveillance may approve.

54	Rules 4.40.1	1
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Which examination is a person to be appointed as a settlement officer or alternate settlement officer required to have passed and what may the member be required to evidence to the Settlement Authority if called upon to do so regarding the continuing obligations of the appointee after they have passed the exam?

1. The settlement officer examination prescribed by the JSE.
2. That he has subsequently maintained an adequate knowledge of the JSE settlement rules.

55	Rules 4.40.1/2	2.5
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What are the duties of a settlement officer?

1. To manage the equity securities settlement obligations of a member.
2. Deal with all queries by the JSE in relation to settlement.
3. Ensure that appropriate procedures are implemented and the necessary action is taken to facilitate the settlement of all transactions in equity securities in accordance with the rules and directives.
4. Advise the JSE of any issue that may potentially impact on the settlement of a transaction.
5. Cooperate with the Settlement Authority to ensure the efficient and timeous settlement of all transactions.

56	Rule 4.40.5	1
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Can a member conduct its business in the absence of a duly appointed settlement officer or alternate settlement officer?

No, except where the Settlement Authority may otherwise direct.

Question	Reference	Marks
57	Directive AD 1.1	5

Which employees of a member may exercise discretion in the management of equity securities and those JSE authorised investments not traded on a JSE market, or provide investment advice to clients on any transaction in such securities, on behalf of a member?

1. A stockbroker.
2. A person who has been exempted from or passed the following registered persons examination of the South African Institute of Financial Markets :
 - a. an introduction to the financial markets;
 - b. regulation and ethics of the South African financial markets; and
 - c. the equity market.
3. A person who has qualified as a Regular Member of the Chartered Financial Analyst Institute.
4. A person who has obtained a pass in the Investment Advice and Portfolio Management module of the South African Institute of Stockbrokers examinations and has been exempted from or obtained a pass in the Regulation and Ethics of the South African Financial Markets module of SAIFM
5. A person who has been accustomed to giving investment advice on transactions since prior to 1 December 2000 and has continued to give investment advice since such date.

58	Directive AD 1.2	1
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What is a person, other than a stockbroker, who ceases to manage investments or ceases to provide investment advice for more than 3 years required to do if he wishes to recommence doing so?

Pass one of the examinations which qualify a person to manage investments or advise on transactions.

59	Rule 4.60	4
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Which persons, who are resident in the area where the place of business is located, must be in control of the following offices?

1. Primary place of business.
 2. Branch office.
 3. Agency office
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1. Stockbroker who must be an executive director of the member.
 2. Stockbroker in the full-time employ of the member.
 3. A stockbroker or an employee of a member who has obtained a pass in the compliance officer examination.

60	Rule 4.60.4	1
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Which persons must be in control of the primary place of business and branch offices of a CSP which is not authorised to provide trading services?

A stockbroker or a person who has obtained a pass in the compliance officer examination.

61	Rule 4.70.1	0
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What is a member required to do to effectively conduct its business?

Employ the necessary resources, procedures and technological systems.

Question	Reference	Marks
62	Rule 4.70.2	6

What must the system of internal control employed by a member ensure?

That :

1. The relevant business can be carried on in an orderly and efficient manner.
2. Financial and other information used or provided by the member is reliable.
3. All transactions and financial commitments entered into by the member are recorded and are within the scope of authority of the member or the employee acting on behalf of the member.
4. There are procedures to safeguard the assets of the member and assets belonging to any other person for which the member is accountable, and to control liabilities.
5. There are measures, so far as is reasonably practicable, to minimize the risk of loss to the member or the clients of the member which results from any irregularity, fraud or error and to detect any irregularity, fraud or error should they occur so that prompt remedial action may be taken by the member or the management of the member.

63	Rule 4.70.4	5
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What are the regulatory objectives in the establishment of risk management principles and procedures?

To ensure that the records of a member are maintained in such a manner as to promptly disclose financial and business information that will enable the member or management of the member to:

1. Identify, quantify, control and manage the risk exposures of the member.
2. Make timely and informed business decisions.
3. Monitor the performance and all aspects of the business of the member.
4. Monitor the capital of the member to ensure compliance with the capital adequacy requirements imposed in terms of the rules.
5. Monitor the quality of the member's assets.

64	Rule 4.70.5	1
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To whom must a member be able to describe and demonstrate the objectives and operation of its internal control and risk management systems?

To the member's auditor and to the JSE.

Prudential Requirements

Question	Reference	Marks
65	Directive DA 1 to 3	0

In what manner are the financial records of a member required to be maintained?

1. On a continual basis.
2. All transactions in JSE authorised investments, Krugerrands, securities lending and borrowing transactions or movements in clients assets other than those specifically excluded in the directives must be recorded in the BDA system.
3. Explain both the member's and clients' transactions and commitments.
4. Records to disclose, with substantial accuracy the financial position of the member at the close of business on any day.

66	Directive DA 1.4	3
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What are the minimum requirements of the FMA regarding the content of a member's accounting records?

Records to contain details of:

1. Receipts and Payments, both own and clients;
2. Income and expenditure, explaining the nature thereof;
3. Assets and Liabilities;
4. Purchases and Sales, both own and clients;
5. Receipts and dispatch of documents of title; and
6. Securities and documents of title in the possession or control of the member showing:
 - a. physical location;
 - b. owner;
 - c. purpose for which held; and
 - d. whether they are subject to any change.

67	Directive DA 1.5	1
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How frequently must a member reconcile all balances with banks and custodians?

As frequently as is appropriate for the volume of transactions on the accounts but not less than every 2 days.

Question	Reference	Marks
68	Directive DA 1.11 / 1.12/ 1.13	0

Details of certain transactions in JSE authorised investments executed by a member on behalf of clients need not be recorded in the BDA system.

1. Which are they?
 2. Must all receipts and payments relating to such transactions be recorded in the BDA system?
 3. Must the transactions recorded in the other system comply with the directives and the Act relating to the maintenance of accounting records?
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1. They are
 - a. Securities listed on an external exchange;
 - b. Participatory interests in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 2002, and units or any other form of participation in a foreign collective investment scheme approved by the Registrar of Collective Investment Schemes;
 - c. Units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and
 - d. Any other financial product, other than JSE authorised investments.
 2. Yes.
 3. Yes.

69	Directive DA 2.1	5
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In extending credit to a client or counterparty, either through a loan of funds, a loan of securities or an indulgence in relation to an obligation of a client or counterparty to a member, what must a member ensure?

1. That the granting of credit does not compromise its ability to meet its financial resources requirements as specified in the rules and directives.
2. That the granting of credit does not adversely impact its liquidity to the extent that it may not have sufficient funds to meet its short term commitments.
3. That the realisable value of any collateral or other security provided by the client or counterparty which reduces the exposure on which the member's Counterparty Risk Requirement is calculated, in terms of DC 9.4, can be reliably measured.

70	Directive DA 2.2	0
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What must a member do in managing risk in relation to any guarantees given or assets pledged to secure the obligations of a third party?

Measure and monitor its material credit exposures and any associated collateral or other security on an ongoing basis to ensure that actual and potential fluctuations in value do not adversely affect the member's ability to meet its financial resources requirements.

71	Directive DB 1.1	0.5
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By when are members required to submit returns reflecting members risk positions and its financial resources (Capital Adequacy Return) to the Director: Surveillance?

Within 10 business days of the end of each month.

Question	Reference	Marks
72	Directive DB 1.1	0.5
Within how many months of a member's financial year end must the following reporting statements be submitted to the Director: Surveillance? <ol style="list-style-type: none">1. Annual financial statements,2. Annual reconciliation statement,3. Auditor's special reports.		
3 Months.		
73	Directive DC 2.3.1	1
What criteria must be met to include redeemable preference shares as capital in determining a member's financial resources? <ol style="list-style-type: none">1. The initial period to redemption shall be at least 2 years.2. The remaining period to redemption shall be at least 3 months.		
74	Directive DC 2.3.5	1
In order to include loan accounts, which include shareholders loan accounts as capital in determining its financial resources, what is a member required to do? <p>Ensure that they are legally subordinated in a manner prescribed by the Director: Surveillance.</p>		
75	Directive DC 2.3.6	1
What criteria must be met to include guarantees received as capital in determining a member's financial resources? <ol style="list-style-type: none">1. Guarantor approved by Director: Surveillance.2. Guarantee irrevocable for a period of 3 months into the future.3. Guarantee capable of being drawn upon on presentation.		
76	Directive DC 2.4 & 2.5	2.5
Itemise 6 types of assets which are not included in adjusted liquid capital? <ol style="list-style-type: none">1. Intangible assets (Goodwill, etc.)2. The maximum current exposure of the member arising from any guarantee given or assets pledged to secure the obligations of a third party.3. Holding in credit institutions and investment firms IF<ol style="list-style-type: none">a. greater than 10% of Issuer's capital; orb. greater than 10% of member's available capital resources		

Question	Reference	Marks
77	Directive DC 2	3

From the following information calculate the member's surplus liquid capital.
 13 weeks fixed expenditure base requirement R 500 000
 Risk requirements:
 Equity position risk R 80 000
 Bond position risk R 32 000
 Counterparty risk R 13 000
 Large exposure risk R 21 000
 Adjusted liquid capital R 700 000
 Motor cars which have been fully paid for can be sold for R120 000 cash

BERR	R	500 000
PRR Equities	R	80 000
PRR Bonds	R	32 000
CRR	R	13 000
LER	R	21 000
Total Risk Requirement	R	646 000
ALC	R	700 000
Cash for motor cars	R	120 000
Total ALC	R	820 000
Surplus ALC	R	174 000

78	Directive DC 4.2	5
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Calculate the position risk requirement from the following positions reflected on a member's stock scan.

Share type	Long (L) Short (S)	Book value R	Market value R
A Illiquid	L	45 000	50 000
B Highly liquid	L	63 000	60 000
C Normal	L	81 000	70 000
D Illiquid	S	82 000	80 000
E Highly liquid	S	83 000	90 000

General risk				
Share A	50 000	x	8%	4 000
Share B	60 000	x	8%	4 800
Share C	70 000	x	8%	5 600
Share D	(80 000)	x	8%	(6 400)
Share E	(90 000)	x	8%	(7 200)
				<u>800</u>
Specific risk				
Share A	50 000	x	15%	7 500
Share B	60 000	x	5%	3 000
Share C	70 000	x	10%	7 000
Share D	(80 000)	x	15%	12 000
Share E	(90 000)	x	5%	4 500
				<u>34 000</u>
Total PRR				<u>34 800</u>

Question	Reference	Marks
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79	Directive DC 5	8
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Calculate the position risk requirements on the following open positions of the various member firms -

Member A

Long R2 000 000 RSA bond stock redeemable between 5 and 7 years hence.
Market value is R1 620 000.

Member B

Short R1 000 000 listed non-government guaranteed bond stock redeemable in 8 years time.
Market value is R890 000

Member C

Short R2 000 000 listed non-government guaranteed bond stock redeemable in 110 months time.
Market value is R1 700 000

AND

Long R1 000 000 listed non-government guaranteed bond stock redeemable in 90 months hence.
Market value is R890 000

Member A

Specific Risk	Govt. guaranteed		Nil
General Risk	5-7 years to redemption	3.25% x R1 620 000	52 650
Total PRR			52 650

Member B

Specific Risk	Not Govt. guaranteed and more than 24 months to redemption	1.6% x R 890 000	14 240
General Risk	7-10 years to redemption	3.75% x R 890 000	33 375
Total PRR			47 615

Member C

Specific Risk	Not Govt. guaranteed and more than 24 months to redemption	1.6% x R1 700 000	27 200
		1.6% x R 890 000	14 240
General Risk	7-10 years to redemption	3.75% x R1 700 000	63 750
		3.75% x R 890 000	(33 375)
	+10% of offset amount as stocks are in the same maturity band		3 337
Total PRR			75 152

Question	Reference	Marks
80	Directive DC 6	5

A member's commitment to underwrite a new issue of 200,000 illiquid non-mining shares at R 2.00 each commences on Day 1;

On Day 2, 40,000 are sub-underwritten;

On Day 3, 50,000 are allocated;

On Day 4, 30,000 are allocated; and

On Day 5, the balance is taken up by the member.

Determine the risk requirements at the close of business each day from Day 1 to Day 5.

Rates applicable -

General - 8%

Specific - Illiquid 15%

NOTE: End of Days 1 and 2 underwriting risk is 10% of position risk requirement. End of Days 3 and 4 underwriting risk is 25% of position risk requirement. Thereafter 100% of PRR.

Show your workings

Day	Market value	Risk %	PRR	Underwriting Risk %	Total Risk Requirement
Day 1	400 000	23%	92 000	10%	R 9 200
Day 2	320 000	23%	73 600	10%	R 7 360
Day 3	220 000	23%	50 600	25%	R 12 650
Day 4	160 000	23%	36 800	25%	R 9 200
Day 5	160 000	23%	36 800		R 36 800

81	Directive DC 7.1	0.5
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What PRR applies to units in a collective investment scheme?

10% of realisable value.

82	Directive DC 9.14.1.1	1.5
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How is counterparty risk on unsettled securities transactions on behalf of controlled clients calculated?

From trade date onwards

1. 100% of the difference between the transaction value and market value plus
2. Position risk requirement on the net unsettled purchase and sale transactions per security on each client's account.

83	Directive DC 9.14.1.2	2.5
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How is counterparty risk on unsettled uncertificated securities transactions on behalf of non-controlled clients calculated?

1. Where CSDP has committed – nil
2. Where CSDP has not committed
 - a. On trade date 2% of the aggregate value of uncommitted purchases or sales in each security on each client's account
 - b. On T + 1 after trade date NIL (as these transactions are subject to margin).
 - c. On T + 2 after trade and thereafter 100% of difference between the transaction value and market value plus position risk requirement on each security on each client's account.

Question	Reference	Marks
84	Directive DC 9.14.1.3 to 7	3

How is counterparty risk on the following unsettled securities calculated?

1. Transactions executed on BESA
 - a. 0-1 day after settlement.
 - b. More than 1 day after settlement.
2. Free deliveries: Non payment against securities delivered where the client is a bank or regulated institution.
3. Non delivery of securities against payment where the client is not a bank or regulated institution.

1. Transactions executed on BESA
 - a. 50% of (transaction value - market value).
 - b. 100% of (transaction value - market value) + PRR on market value of securities.
2. Free deliveries
 - a. 1 day since delivery Nil
 - b. 1 - 7 days since delivery 25% of amount due
 - c. Over 7 days since delivery 100% of amount due
3. 100% of market value of securities.

85	Directive DC 9.14.2 to 9.14.4	4
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How is counterparty risk calculated on the following?

1. Options purchased for a client
 - a. Non payment of purchase price 1 day after purchase.
 - b. Thereafter.
2. Exchange traded margined transactions.
 - a. 1 day since shortfall.
 - b. 2 days and over since shortfall.
3. Repurchase or reverse repurchase agreements (including lending and borrowing and sale and buy back agreements)

1. Options purchased for a client
 - a. Purchase price - market value or if market value not readily available 100% of premium.
 - b. 100% of option premium unpaid.
2. Exchange traded margined transactions
 - a. Nil.
 - b. 100% of margins unpaid
3. On the difference between the current market values of the asset received and the security provided or the asset provided and the security received. During the period of the agreement:
 - a. Where the counterparty is a regulated financial institution or a regulated banking institution – Nil
 - b. All other counterparties - 25%
 - c. Subsequent to settlement date, all counterparties - 100%

86	Directive DC 9.14.5	4
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How is counterparty risk on swaps, forward contracts, OTC options, contracts for differences and off exchange futures calculated?

"Credit equivalent amount" as defined, multiplied by the appropriate risk %

1. State or state guaranteed entity - 0%
2. Regulated exchanges, JSE members, Supranational organisations and Regulated banking institutions - 2%
3. Any other counterparty - 10%

Question	Reference	Marks
87	Directive DC 9.14.6 to 9.14.8	1.5

How is counterparty risk on the following calculated?

- Amounts due for payment or owed on closed out transactions unless adequately secured.
 - Loans to clients.
 - Other receivables.
-
- 100% of amount unsecured.
 - 100% of amount unsecured.
 - 100% of amounts due for more than 30 days.

88	Directive DC 4.2.14.1	8
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A member's records reflect the following positions:

Short 10 INDI 25 Futures
 Short 20 ALSI 40 Futures
 Long 30 FINI 15 Futures
 Long 20 FINDI 30 Futures
 Long 10 RESI 20 Futures

Each Futures contract is for 10 underlying

Calculate the position risk requirement, given that the spot values are:

INDI 4800
 ALSI 5000
 FINI 2200
 FINDI 5200
 RESI 6000

Show your workings

Equity Equivalent

INDI	$10 \times (4\,800) \times 10$	(480 000)
ALSI	$20 \times (5\,000) \times 10$	(1 000 000)
FINI	$30 \times 2\,200 \times 10$	660 000
FINDI	$20 \times 5\,200 \times 10$	1 040 000
RESI	$10 \times 6\,000 \times 10$	600 000

General Risk per Table

INDI	$8\% \times 480\,000$	(38 400)
ALSI	$8\% \times 1\,000\,000$	(80 000)
FINI	$8\% \times 660\,000$	52 800
FINDI	$8\% \times 1\,040\,000$	83 200
RESI	$8\% \times 600\,000$	48 000
		65 600

Specific Risk

Nil

Total PRR = R65 600

Question	Reference	Marks
89	Directive DC 10.4.2	4

How is the foreign exchange requirement calculated unless permission is obtained from the Director Surveillance to use a simulation technique?

A member shall calculate a net open position for all currencies and shall translate them to rand using prevailing spot rates.

The FER is 10% of the higher of:

1. The aggregate of the net open long positions in each currency and
2. The aggregate of the net open short positions in each currency.

90	Directive DC 11	5
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A member whose adjusted liquid capital is R800 000 has the following open equity positions in its stock account –

Share position	Market value
A: Long (Illiquid)	R 280 000
B: Short (Highly liquid)	R 250 000
C: Short (Illiquid)	R 15 000

What is the member's large exposure requirement?

Show your workings

Share	Market value	25% of ALC	Balance x Specific Risk % x 2	LER
A	280 000	200 000	80 000 x 15% x 2	24 000
B	250 000	200 000	50 000 x 5% x 2	5 000
C	15 000	200 000		Nil
Total LER				29 000

91	Directive DC 13	5
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A CSP's records reflect that it is holding a total R2,023,070,000 made up of funds in JSE Trustees and assets in custody on behalf of its own clients and those of members for whom it acts as a CSP.

Calculate the CSP's custody and settlement risk requirements (CSRR).

1% on 1st R300 million	1% x 300 000 000	R	3 000 000
0.1% on excess of R300 million up to R2 billion	0.1% x 1 700 000 000	R	1 700 000
0.01% on excess of R2 billion	0.01% x 23 070 000	R	2 307
Total CSRR		R	4 702 307

92	Directive DF	0.5
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What is the minimum amount of Professional Indemnity Insurance an auditor of a member is required to have?

R7 500 000.

Question	Reference	Marks
93	Directive DG	3

Itemise 6 important points in connection with the appointment of an auditor by a member.

1. Must be C.A.(SA) registered under the Public Accountants and Auditors Act and be engaged in public practice.
2. Must be approved by the Director: Surveillance.
3. Must not be an officer or employee of another member.
4. Must not be an officer or employee of the member.
5. Must not be a close relative of an officer of the member.
6. Must not have a direct or indirect financial interest in the member.

94	Directive DK	0.5
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Can the JSE decide that a special audit of a member be conducted either by the JSE Surveillance Department or an auditing firm nominated by it?

Yes.

95	Directive DL	4.5
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Members are required to notify the Director Surveillance when certain events take place or are likely to take place. Itemise these events.

1. Breach of financial resource requirements.
2. Inability to pay the JSE, an exchange or clearing house by due date thereby causing a default.
3. Inability to submit any required financial statement or report.
4. Contingency claims greater than 10% of ALC or R500 000.
5. Believes any previous reporting statement materially misleading.
6. Claims on professional indemnity insurance policy.
7. Qualified auditor's report on annual financial statements.
8. Change of financial year-end
9. Inability to comply with JSE rules and directives

96	Directive DN	6
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What is a member required to ensure in connection with the production and distribution of client statements?

1. Effective controls are implemented.
2. Clients are able to review the activity of their accounts and performance of their portfolios at appropriate and regular intervals.
3. Utilise the BDA system or other system reflecting the same information on client statements as BDA.
4. Statements can be produced in hard copy or electronic form, provided that the member obtains the written consent of a client to distribute statements in an electronic form. The member is required to retain a record of the consent.
5. There must be a segregation of duties between those persons responsible for transactions and those responsible for the distribution of the statements.

Trading

Question	Reference	Marks
97	Rule 1.40	1
Define "auction call session"		
A period of time during which orders for inclusion in an auction can be entered into and deleted from the central order book and there is no automated trading.		
98	Rule 1.40	1
Define "auction matching"		
The process of matching buy and sell orders according to a matching algorithm at the end of an auction call session.		
99	Rule 1.40	0.5
Define "auction price"		
The price of transactions resulting from an uncrossing at the end of an auction call session.		
100	Rule 1.40	0.5
Define "auction trade"		
A transaction matched automatically in the JSE equities trading system resulting from an uncrossing at the end of an auction call session.		
101	Rule 1.40	0.5
Define "automated trade"		
A transaction matched automatically in the JSE equities trading system during continuous trading.		
102	Rule 1.40	1
Define "central order book"		
The order book of the JSE equities trading system in which automated and auction trades occur according to price then time priority.		
103	Rule 1.40	1
Define "trade cancellation"		
The cancellation of an on book or off book trade on the same business day or next business day.		
104	Rule 1.40	2
Define "direct market access"		
The process whereby an order is received electronically by a TSP from a client and then submitted electronically to the JSE equities system by means of an order entry application operated by the TSP, without the intervention of a registered securities trader.		

Question	Reference	Marks
105	Rule 1.40	0.5
Define "equity securities"		
Those JSE listed securities traded on the JSE equities trading system.		
106	Rule 1.40	1
Define "foreign professional market participant"		
A person who does not reside in the Republic and whose regular business is the buying and selling of securities.		
107	Rule 1.40	1
Define "JSE equities trading system"		
The computer system or systems and associated network or networks operated or used by the JSE for the purpose of providing a market for the trading of equity securities.		
108	Rule 1.40	0
Define "JSE share"		
A share in the JSE itself or in any company that owns or operates the JSE.		
109	Rule 1.40	1
Define "market controller"		
The person appointed by the JSE to supervise, administer and control the daily operations of the JSE equities trading system.		
110	Rule 1.40	2
Define "market order"		
An order submitted to the central order book during an auction call period with no price limit, which is held on the central order book and may execute either in full or in part against eligible orders, at the price of a new order entered into the central order book or at the reference price.		
111	Rule 1.40	1
Define "market order extension session"		
An extension to an auction call session which occurs when there would be unexecuted market orders on the central order book following auction matching.		
112	Rule 1.40	1
Define "member trading application"		
Any system, software or program operated by a member which submits data to and receives data from the JSE equities trading system.		

Question	Reference	Marks
113	Rule 1.40	0.5
Define "Agricultural Derivatives"		
Means those commodity securities which are derivative instruments and the financial terms of which are determined by an underlying agricultural product, which is physically settled in terms of the derivatives rules		
114	Rule 1.40	0.5
Define "order"		
An instruction from a client to buy or sell equity securities or an instruction to amend or cancel a prior instruction to buy or sell equity securities.		
115	Rule 1.40	1.5
Define "order entry application"		
Any system, software or program operated by a member which facilitates electronic submission of orders to a member trading application and which complies with such requirements as the JSE may from time to time prescribe in the directives.		
116	Rule 1.40	1
Define "on-book trade"		
Means a transaction in equity securities executed by a member on the central order book of the JSE equities trading system.		
117	Rule 1.40	0.5
Define "pre-issued trading"		
Transactions effected in pre-issued securities in accordance with the rules.		
118	Rule 1.40	2
Define "pre-issued securities"		
Entitlements to equity securities the listing of which on the JSE has been approved but where the listing becomes effective only after a number of conditions have been fulfilled on or before the commencement date of official trading.		
119	Rule 1.40	1
Define "price monitoring extension session"		
An extension to an auction call session which occurs when the indicative auction price is a specified percentage or more away from the reference price.		

Question	Reference	Marks
120	Rule 1.40	6

Define "professional client" in relation to a member.

1. another authorised user;
2. a bank;
3. a long-term or short-term insurer registered as such under the Long-term Insurance Act, 1998 or the Short-term Insurance Act, 1998, respectively;
4. a person outside the Republic who -
 - a. as a regular feature of the person's business, renders a service similar to a "securities service" as defined in section 1 of the Act or conducts the business of a bank or a business referred to in paragraph (c); and
 - b. is registered, licensed, recognised, approved or otherwise authorised to render the service or conduct the business referred to in paragraph (d)(i) by a foreign regulator with functions similar to those of the Registrar, the Registrar of Banks or the Registrar of Long-Term or Short-Term Insurance;
5. any person who is mandated to manage assets and who has confirmed to the satisfaction of the member that the market value of the assets managed by the person will exceed R1 billion at all times during the rendering of securities services to the person;
6. any other client, who has confirmed to the satisfaction of the member that they will have assets of which the net asset value will exceed R20 million at all times during the rendering of securities services to the client, but who is not -
 - a. a natural person;
 - b. a pension fund organisation as defined in section 1 (1) of the Pension Funds Act, 1956;
 - c. a friendly society referred to in the Friendly Societies Act, 1956;
 - d. a medical scheme as defined in section 1(1) of the Medical Schemes Act, 1998.

121	Rule 1.40	1
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Define "reference price"

The last auction or automated trade price or the previous closing price, whichever is the most recent, or in the absence of a last auction and automated trade price or a previous closing price, a price as determined by the JSE.

122	Rule 1.40	1
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Define "registered securities trader"

An employee of a member, registered with the JSE and who is authorised by such member to enter and execute orders through, and report trades to, the JSE equities trading system on behalf of such member.

123	Rule 1.40	1
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Define "off-book trade"

A transaction in equity securities negotiated off the central order book and submitted by a member to the JSE equities trading system.

124	Rule 1.40	0.5
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Define "non published off book trade"

An off book trade or transaction which is not published to the market.

Question	Reference	Marks
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125	Rule 1.40	1
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Define "volatility auction call session"

The auction call session which occurs if an order is entered that would execute at a price that is equal or greater than a percentage, as specified by the market controller, away from the reference price.

126	Rule 6.10.1	0.5
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Are all transactions in equity securities by a member required to be conducted through the central order book of the JSE equities trading system?

Yes, unless the transaction meets the criteria set out for off book trades.

127	Rule 6.10.5	2
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What are the requirements for a person who seeks to be registered with the JSE as a registered securities trader?

1. He must satisfy the fit and proper requirements.
2. Must have passed the Registered Securities Trader examination prescribed by the JSE.

128	Rules 6.10.10	4
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What are members accessing JSE systems at all times required to do?

1. Maintain and enforce appropriate security procedures which are designed to prevent unauthorised persons from having access to any JSE systems, member trading applications or client applications.
2. Have the necessary resources to ensure that any data sent to or received from JSE systems does not interfere with the efficiency and integrity of the equities market or the proper functioning of the JSE systems.

129	Rule 6.30	4
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When and who reports off book trades to the JSE trading system?

In the case of an off book trade between two members, the members must agree on which member will initiate the submission of the trade to the JSE equities trading system.

Off book trades executed during trading hours must be submitted to the JSE equities trading system without delay.

Off book trades executed after trading hours must be submitted to the JSE equities trading system within 45 minutes of the commencement of the off book trade reporting session on the next business day, with the exception of non-published off book trades which must be submitted to the JSE equities trading system before 10h00 on the next business day.

130	Rule 6.40.2	1
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What is a block trade?

A block trade is a transaction where a member trades as an agent or a principal in a single equity security and the transaction comprises at least –

- 6.40.2.1 the specified percentage of the average daily value; or
 - 6.40.2.2 the specified nominal value of a transaction in that equity security;
- as applicable and as set out in the directives.

Question	Reference	Marks
131	Rule 1.40	1

Define “BBE codes”

Means the Broad-Based Black Economic Empowerment Codes

132	Rule 6.30.5	6
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Off book transactions do not have to be executed through the central order book. What type of off-book transactions may validly be reported to the JSE equity trading system?

1. Block trades (BT).
2. Book Build (BK).
3. Corporate finance transactions (CF).
4. Portfolio transactions (PF).
5. Late trades (LT).
6. Exercise of warrants (WX).
7. Exercise of traded options (TX).
8. Exercise of options (OX).
9. Off order book principal trades (OP).
10. Give-up trade (GU).
11. Next day cancellation of on book trade (LC & NC).
12. Delta trades (OD).

133	Rule 6.40.8	3
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What is an off order book principal trade?

An off order book principal trade is a transaction where a member trades as a principal in a single equity security, where the transaction comprises at least –

6.40.8.1 the specified percentage of the average daily value; or

6.40.8.2 the specified nominal value of a transaction in that equity security

as applicable and as set out in the directives, except where the transaction is with a foreign professional market participant in which case no minimum value will apply

134	Rule 6.30.5	3
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Which types of off book transactions are not published?

1. Give up trade.
2. Exercise of options.
3. Exercise of warrants.
4. Exercise of traded option.
5. Delta trades.
6. Next day cancellation of a non-published off book trade.

Question	Reference	Marks
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135	BT 15.1	3.5
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What are the criteria for Block Trades and Off Order Book Principal Trades?

In order for a transaction in an equity security to qualify to be submitted to the JSE equities trading system as a Block trade in terms of rule 6.40.2 or an Off Order Book Principal Trade in terms of rule 6.40.8, the transaction must comprise at least the following specified values, based on the segment to which the equity security is allocated:

<u>Segment</u>	<u>Values</u>
ZA01	The lower of – 30% of the average daily value, subject to a minimum of R10 million; or a nominal value of R100 million
ZA02	The lower of – 30% of the average daily value, subject to a minimum of R5 million, or a nominal value of R100 million
All other segments	30% of the average daily value, subject to a minimum of R1 million

136	Rule 6.40.1	2
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What is a bookbuild trade?

A Transaction where a member trades in a single equity security as an agent or a principal with another member in order for the second member or its clients to participate in a bookbuild. The member managing the bookbuild must advise the Director: Surveillance of the bookbuild prior to reporting a bookbuild trade

137	Rule 6.40.3	1.5
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What is a corporate finance transaction?

An off book transaction which:

1. Must be entered into in writing.
2. Requires public notification in the press; and
3. Complies with the requirements of transaction categories 1 or 2 of Section 9 of the Listing Requirements of the JSE.

138	Rule 6.40.9	2
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What is a portfolio transaction?

An off book transaction which -

1. Has a minimum value of R15 million; and
2. Comprises at least 10 different equity securities none of which exceeds 25% of the total value of the portfolio.

139	Rule 6.50.4	1
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Under what circumstances may the Director: Surveillance instruct members to enter an on book or off book trade without having received a formal request to do so by any member?

If in his opinion a trade –

1. materially impacts the integrity or transparency of the market or the correctness of the statistics.

Question	Reference	Marks
140	Rule 6.40.7	8

What is a late trade?

The transaction is:

1. Executed by a member acting on behalf of a client, in fulfilment of any order already entered into the JSE equities trading system, and where either the buyer or the seller is a foreign professional market participant or
2. Executed by a member for a professional market participant, in fulfilment of an order received prior to the end of the closing auction call session, at a price which can only be established after the closing auction call session or
3. Executed by a member for or on behalf of a professional market participant, in fulfilment of an order received after trading hours, where the counterparty is a foreign professional market participant or
4. Executed by a member as a principal for its own account where the counterparty is a foreign professional market participant.

141	Rule 6.40.4	3
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What is a delta trade?

A transaction where a member trades as a principal with another member, who also trades as a principal, in a single equity security where the transaction transfers the delta hedge from one member to another member in respect of a derivative transaction which has been reported to either the JSE derivative trading system or the derivative trade recording system referred to in the directives.

142	Rule 6.40.8	3
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What is an off order book principal trade?

An off order book principal trade is a transaction where a member trades as a principal in a single equity security, where the transaction comprises at least –

- 6.40.8.1 the specified percentage of the average daily value; or
- 6.40.8.2 the specified nominal value of a transaction in that equity security as applicable and as set out in the directives, except where the transaction is with a foreign professional market participant in which case no minimum value will apply

143	Rule 1.40	1
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Define “hidden order”

Means an order submitted to the central order book where the order is not visible to other members and may execute in full or in part against eligible visible orders or other hidden orders.

144	Rule 6.50.1	0.5
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Who may grant permission to or instruct the respective members to execute a trade cancellation?

The Director: Surveillance.

Question	Reference	Marks
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145	Rule 6.50.2	5
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Under what exceptional circumstances will a trade cancellation be considered?

If the trade meets at least the following requirements:

1. the request is received by the Director: Surveillance within 20 minutes from the time of the erroneous trade; and
2. the price of the trade or trades for which the trade cancellation is requested is 5% or more away from the reference price at the time that the erroneous order was placed; and
3. the difference between the aggregate value of the trades that qualify in terms of rule 6.50.2.2 and the value that would have resulted had such trades been executed at the reference price is R50 000 or more; or
4. the quantity of shares traded exceeds 5% of the equity security in issue.

146	Rule 6.60.1	0.5
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During what period may a member execute transactions in pre-issued securities?

During the period permitted by the JSE.

147	Rule 6.60.2	1
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On what terms and conditions will settlement be made in transactions effected during the period of pre-issued trading if the listing is approved?

On the same terms as all other transactions in equity securities.

148	Rule 6.60.3	1.5
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What are the consequences if a listing of pre-issued securities does not commence on the intended commencement date of official trading?

Every transaction will be null and void ab initio and neither the member nor a client will have recourse against the JSE or a member.

149	Rule 6.70	2
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Under what circumstances may the Director: Surveillance declare an unreasonable transaction void?

Where, for a lack of clarity in the published information available at the time of the transaction a member deals in a quantity or at a price which in his opinion is unreasonable.

150	Rule 6.80	0.5
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During a trading halt, may a member:

1. trade that equity security;
2. delete orders in that equity security from the central order book.

1. No.
2. Yes.

151	Directive BB 1	0.5
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What is a non-exchange traded derivative instrument?

A derivative instrument not listed on a licensed exchange.

Question	Reference	Marks
152	Directive BB 2	1
<p>To which system must non-exchange traded derivative instruments be reported and how frequently?</p> <p>To the derivatives trade recording system on a daily basis.</p>		
153	Directive BB 3	5
<p>Itemise 10 items of information which the non-exchange traded derivative instrument register must contain.</p> <ol style="list-style-type: none"> 1. Deal date. 2. Trade number. 3. Contract number. 4. Purchase or sale. 5. Type of option - put or call. 6. Type of option - American or European. 7. Grantor/writer. 8. Quantity. 9. Description of financial instrument. 10. Strike price. 11. Strike date and time. 12. Settlement date. 13. Premium. 14. Premium settlement date. 15. Other party. 16. Dealt as principal or agent. 17. Date sold, exercised or lapsed. 		
154	Directive BT 3	0.5
<p>Whose approval must a member obtain to access and utilise JSE systems?</p> <p>Market Controller.</p>		
155	Directive BT 4	1
<p>What is a TSP required to do in order to utilise the services of and access JSE systems?</p> <p>Enter into and sign agreements and adhere the requirements and specifications of such agreements.</p>		
156	Directive BT 6.1	2.5
<ol style="list-style-type: none"> 1. In addition to the details that are required by the JSE equities trading system to facilitate the proper entry of an order or an off book trade, what must an order or an off book trade submitted to the JSE equities trading system contain in order to facilitate proper disclosure to clients and effective regulation of transactions by the JSE? Capacity (principal or agent) 2. Client or stock account number to which any associated trades will be booked 3. Minimum execution size (MES) in respect of a hidden order 4. Trader group 5. Trader identification number 		

Question	Reference	Marks
157	Directive BT 6.3	1
<p>If an order submitted to the JSE equities trading system by a registered securities trader was not received or initiated by that registered securities trader but was instead received or initiated by another employee of the member, such as a sales trader or a portfolio manager, what must the member ensure that it records?</p> <p>The identity of the other employee who received or initiated the order.</p>		
158		
<p>Reserved</p>		
159		
<p>Reserved</p>		
160	Directive BT 7.1	1.5
<p>Trade Cancellations</p> <p>What is a TSP seeking permission for a cancellation of an on book trade required to do?</p> <p>Immediately upon becoming aware of the erroneous trade, request permission from the Director: Surveillance to cancel the trade by informing him of the original trade, giving details of such trade and the circumstances or reason which resulted in the original trade.</p>		
161	Directive BT 7.3	0.5
<p>Having been granted permission to enter into a trade cancellation, within what time must the designated TSP enter the trade into the JSE equities trading system?</p> <p>Without delay.</p>		
162	Directive BT 7.4	0.5
<p>What is a TSP who is unable to submit a trade cancellation to the JSE equities trading system on the same day as the erroneous on book trade, required to do?</p> <p>The TSP must submit the trade cancellation as a next day cancellation of an on book trade without delay on the following business day.</p>		
163	Directive BT 7.5	0.5
<p>What is the administration fee payable by a TSP if it requests permission to cancel an on book trade if such request fails to meet the prescribed criteria?</p> <p>R2000.</p>		
164	Directive BT 7.6	2
<p>How much is the administration fee for an executed trade cancellation of an on book trade and who is liable to pay it? Who must be compensated for any damage suffered due to loss of price/time priority?</p> <ol style="list-style-type: none"> 1. R10 000. 2. The TSP responsible for the error. 3. The opposite TSP who in turn must compensate its client. 		

Question	Reference	Marks
165	Directive BT 8	4

In managing orders received from clients and submitting client and proprietary account orders to the JSE trading system what objectives is a TSP required to meet in addition to other requirements in the rules and directives?

1. AVOIDANCE OF ERRONEOUS ORDERS

The TSP must implement appropriate procedures to ensure that orders are not submitted to the JSE equities system or left open in the JSE equities trading system where such orders could result in erroneous trades.

2. SETTLEMENT ASSURANCE

The TSP must implement appropriate procedures to ensure, prior to submitting a client or proprietary order to the JSE equities trading system, that it has the capacity to settle trades resulting from such orders on the settlement date, and that all such trades will not adversely affect the TSP's ability to meet its financial resources requirements as set out in the rules and directives.

166	Directive BT 9	0.5
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What is an OEA?

An order entry application.

167	Directive BT 9	0.5
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What is DMA?

Direct market access.

168	Directive BT 9	0.5
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Whose written approval does a TSP require to operate an OEA that provides DMA?

The JSE.

169		0
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Reserved

170	Directive BT 10	7
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What are the key objectives that a member must be able to demonstrate, to the satisfaction of the JSE, when applying to operate an OEA that provides DMA?

1. Avoidance of erroneous orders and manipulative practices.
2. Management of order limits and order types
3. Settlement Assurance
4. Adherence to trading phases
5. Maintenance of audit trails
6. Adherence to the rules and directives
7. Adherence to security and technical requirements

Market Conduct

Question	Reference	Marks
171	Rules 7.10.2	3

What type of training must a member ensure that all its employees who are involved in the receipt of orders from clients and the execution of transaction in equity securities on the JSE equity trading system receive?

Such training and guidance so as to ensure that the employees are:

- * familiar with the market abuse provisions in sections 77 to 80 of the Act and
- * able to recognise and avoid entering into any transaction on behalf of the member or its clients which will result in, or is likely to result in, a breach of these provisions.

172	Rule 7.10.4	6
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Compliance monitoring procedures should, as a minimum, aim to detect activity which, to a reasonable person observing or reviewing such trading activity, would constitute a blatant breach of the provisions of sections 78 and 80 of the Act taking into account all relevant factors such as:

1. the identity of the parties to the transaction;
2. the perceived intention of the parties to the transaction;
3. the frequency and pattern of transactions over a period of time;
4. the effect of the transaction on market prices or volumes;
5. the size and timing of the transaction; or
6. a combination of two or more of these factors.

173	FMA Chapter X Market Abuse Section 77	3
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Define "inside information"

Specific or precise information which has not been made public and which-

1. is obtained or learned as an insider and,
2. if it were made public would be likely to have a material effect on the price or value of any security listed on a regulated market.

Question	Reference	Marks
174	FMA Chapter X Market Abuse Section 77	3

Define "insider"

1. A person who has inside information through-
 - a. being a director, employee or shareholder of an issuer of securities listed on a regulated market to which the information relates; or
 - b. having access to such information by virtue of employment, office or profession; or
2. where such person knows that the direct or indirect source of the information was a person contemplated in (1) above.

175	FMA Chapter X Market Abuse Section 78	4
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When does an insider who knows that he or she has inside information commit an offence?

1. When he or she deals directly or indirectly or through an agent for his or her own account in securities listed on a regulated market to which the information relates or which are likely to be affected by it.
2. When he or she discloses the information to another person.
3. When he or she encourages or causes another person to deal or discourages or stops another person from dealing.

176	FMA Chapter X Market Abuse Section 80	5
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List 5 prohibited actions as specifically mentioned in the ACT that would create, or likely create, a false or deceptive appearance of the demand for, or supply of a security.

1. Approve or enter an order to buy or sell a security which involves no change in the beneficial ownership of that security
2. Approve or enter an order to buy or sell a security with the knowledge that an opposite order or orders at substantially the same price, have been or will be entered by or for the same or different persons with the intention of creating;
 - a false or deceptive appearance of the trading activity in; or
 - an artificial market price for that security
3. approve or enter orders to buy a security at successively higher prices or orders to sell a security at successively lower prices for the purpose of unduly influencing the market price of the security
4. approve or enter an order at or near the close of the market, the primary purpose of which is to change or maintain the closing price of a security
5. approve or enter an order to buy or sell any security which order will be included in any auction during an auction call period and cancelling such order immediately prior to the auction matching, for the purpose of creating;-
 - a false or deceptive appearance of the demand for or supply of such security; or
 - an artificial price for such security;
6. effecting or assisting in effecting a market corner;
7. maintaining, at a level that is artificial, the price of a security

Conduct of Business

Question	Reference	Marks
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177	Rule 1.40	0
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Define "advertisement"

Any written, printed, electronic or oral communication, including a communication by means of a public radio service, television broadcast or any other media by a member, which communication is directed to the general public, or any section thereof, or to any client, and is intended to call attention to, or to market or promote, the services offered by a member, and which does not purport to provide detailed information about such services; and "advertising" has a corresponding meaning.

178	Rule 1.40	0.5
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Define "foreign client"

A client who does not reside in the Republic.

179	Rule 1.40	2.5
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Define "foreign investment"

"Foreign investment" means the following JSE authorised investments:

1. securities listed on an external exchange;
2. units or any other form of participation in a foreign collective investment scheme approved by the Registrar of Collective Investment Schemes in terms of section 65 of the Collective Investment Schemes Control Act, 2002;
3. units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and
4. foreign funds intended for the purchase of such securities, units or participation.

180	Rule 1.40/ FMA Chapter 1 Definitions	4
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What type of advice is included in the definition of "advice"?

Any recommendation, guidance or proposal of a financial nature furnished, by any means or medium, to a client or group of clients:

1. in respect of the buying and selling of securities; or
2. on any corporate action or other event affecting the rights or benefits in respect of securities; or
3. on the exercise or lapse of any right in respect of any JSE securities;

irrespective of whether or not such advice results in any transaction being effected.

181	Rule 1.40/ FMA Chapter 1 Definitions	2.5
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What type of factual advice is not included in the definition of "advice"?

Factual advice given merely :

1. on the procedure for entering into a transaction in respect of securities;
2. on the procedure relating to a corporate action or other event affecting the rights or benefits in respect of securities;
3. in relation to the description of securities;
4. in answer to routine administrative queries;
5. in the form of objective information about securities; or
6. by the display or distribution of promotional material.

Question	Reference	Marks
182	Rule 1.40	2
<p>In order for the content of an analysis or a report on a JSE authorised investment not to constitute "advice", what must the analysis or report not contain?</p> <p>Any express or implied recommendation, guidance or proposal that any particular transaction in respect of the securities is appropriate to the particular investment objectives, financial situation or particular needs of a client.</p>		
183	Rule 1.40	3
<p>Define "investment services"</p> <p>The services provided by an investment services provider to its clients, and includes:</p> <ol style="list-style-type: none"> 1. exercising discretion in the management of JSE authorised investments on behalf of clients; 2. providing advice to a client in respect of JSE authorised investments; 3. executing transactions in JSE authorised investments other than equity securities; and 4. safeguarding JSE authorised investments other than uncertificated equity securities and funds intended for the purchase of equity securities. 		
184	Rule 1.40	0.5
<p>Define "investment services provider"</p> <p>A member which has been authorised by the JSE to perform investment services in terms of the rules.</p>		
185	Rule 1.40	0
<p>Define "ISP"</p> <p>An investment services provider.</p>		
186	Rule 1.40	1.5
<p>Define "manage" in relation to JSE authorised investments.</p> <p>Any arrangement entered into between a client and a member which authorises such member to buy or sell JSE authorised investments on behalf of such client, either with full discretion or with prior reference to the client or exercise any rights attached to those investments.</p>		
187	Rule 1.40	1.5
<p>Define "money broking transactions"</p> <p>Funds accepted by a member from a client and invested by the member in the money market with one or more banks, in terms of the rules, and subject to any conditions published by the Registrar of Banks.</p>		
188	Rule 1.40	1
<p>Define "unsolicited call"</p> <p>Any first communication made to a person by a member or an employee of a member, without an express or tacit invitation from such person.</p>		

Question	Reference	Marks
189	Rule 8.10.1	3

What are the general standards of integrity which members are required to observe in their dealings with clients and the JSE?

A member must :

1. not knowingly circulate information which is false or misleading;
2. not knowingly countenance any attempt to manipulate the market, nor to influence persons for such a purpose;
3. conduct its activities in a manner that is compatible with the objects of the Act and with full respect for the reputation of the JSE; and
4. not participate in any dealings with other members, clients, the media or other persons which may be of such a nature as to defame the JSE or any of its officers or employees

190	Rule 8.10.2	3
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What are the general standards of conduct which a member is required to observe in its dealings with a client?

1. Act honestly and fairly.
2. Act with due skill, care and diligence, and in the interests of clients.
3. Exercise independent professional judgement.
4. Act promptly on and in accordance with the instructions of a client, and exercise any discretion in a responsible manner. AND
5. Avoid conflicts of interest and when they cannot be avoided, ensure fair treatment to clients by disclosure, confidentiality or declining to act. A member must not unfairly place its interests above those of its clients.

191	Rule 8.10.3	6
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What are the general standards regarding disclosure of information to clients?

1. The information must be :
 - a. factually correct;
 - b. provided in plain language, avoid uncertainty or confusion and not be misleading;
 - c. adequate and appropriate, in the circumstances.
2. Amounts, sums, values, fees must be stated in specific monetary terms or if not pre-determinable, the basis of calculation must be adequately described.
3. The information need not be repeated to the same client unless any material or significant changes occur.
4. Full and accurate information about fees and charges must be disclosed.
5. Confidential information must not be disclosed.
6. Restrictions or limitations that may affect access to their assets must be disclosed.

192	Rule 8.10.4.2	4
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What client records must be retained by a member?

1. All communications relating to a service rendered to a client, including instructions given by the client to the member.
2. All transaction documentation relating to clients.
3. All contractual arrangements between the member and its clients, including mandates prescribed by the rules.
4. All client particulars required to be provided in terms of the rules or which are necessary for the effective operation of client accounts.

Question	Reference	Marks
193	Rule 8.10.4.5	2

For what period must the client records prescribed by the rules be retained?

1. All instructions given by clients to execute transactions must be kept for at least six months after the date of the transaction.
2. All other client records prescribed by the rules must be kept for at least five years after the rendering of the services.

194	Rule 8.10.6	0.5
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Can a member request or induce a client to waive any right or benefit conferred on a client in terms of the rules or accept any such waiver from a client?

No, and any such waiver is void.

195	Rule 8.10.7	2
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What are the general standards of conduct which a member is required to observe regarding co-operation with the JSE as its regulator?

1. Deal with the JSE in an open and co-operative manner; and
2. Keep the JSE promptly informed of anything concerning the JSE which might reasonably be expected to be disclosed to it.

196	Rule 8.20.1	5
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What are the general principles that a member must adhere to in advertising its services to the public?

The advertising must:

1. Be carried out with a due sense of responsibility to the public and the profession.
2. Be consistent with the dignity of the profession.
3. Be in good taste without odious comparisons claiming superiority.
4. Conform to accepted norms of legality, decency, honesty and truthfulness.
5. Not contain testimonials or endorsements.

197	Rule 8.20.2	1
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What is the specific principle that a member must adhere to regarding advertising material about any JSE authorised investment or any regulated service rendered by the member.

The advertising material must provide accurate, complete and unambiguous information about the JSE authorised investment or required service.

198	Rule 8.20.3.5	1
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If an advertisement contains information about past performances, what type of statement must also be included in the advertisement?

A warning that past performances are not necessarily indicative of future performances.

Question	Reference	Marks
199	Rule 8.20.4	1
<p>What designation must a member use in publicity, promotional or advertising material or on its professional stationery or on its name plates or on its office premises?</p> <p>1. Only the designation (name or logo) recognised by the JSE. AND 2. That the member is "a member" of the JSE.</p>		
200	Rules 8.20.5/6	1
<p>What statement must accompany any written publication or circulation issued by a member relating to the trading results of a listed company or which may influence the price of the securities?</p> <p>The name of the person or persons who compiled it.</p>		
201	Rule 8.20.6	1
<p>If a member issues a newsletter, circular or other publication which contains an opinion on a listed company and the member has an interest in that company, what disclosure must be included in the publication?</p> <p>The existence of the interest.</p>		
202	Rule 8.30	2
<p>Can a member enter into a transaction with or on behalf of a client where the transaction is as a result of an unsolicited call?</p> <p>Yes, provided :</p> <p>1. the general standards of conduct relating to disclosure to clients are complied with and; 2. the rules relating to advice on JSE authorised investments are complied with.</p>		
203	Rule 8.40	1
<p>A member is requested to establish and maintain controls and procedures in relation to transactions executed for the direct or indirect benefit of employees of a member. What must the controls and procedures be designed to achieve?</p> <p>To avoid such transactions conflicting with the interests of the member's client.</p>		
204	Rule 8.40.2	1.5
<p>What must the controls and procedures in relation to personal account transactions, as a minimum, make provision for?</p> <p>The review by the member of those transactions in order to identify any transactions which are in conflict with the interests of the member's clients.</p>		
205	Rule 8.50.1	2
<p>What is the general principle regarding a member offering or accepting a valuable consideration as an inducement?</p> <p>The member must take reasonable steps to ensure that it does not offer or accept such an inducement if it is likely to conflict with any duty that it owes to its clients or any duty that the recipient of the inducement owes to its clients.</p>		

Question	Reference	Marks
206	Rule 8.50.2	3

In terms of the rules, what type of inducement offered or accepted by a member is specifically prohibited?

Any valuable consideration offered or accepted in terms of an agreement with a client or a third party which relates to the provision of regulated services by the member to its clients, and which does not directly relate to, and assist in the provision of, such services to such clients or does not otherwise directly benefit the clients of the recipient of such valuable consideration.

207	Rule 8.50.3	3
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What must a member disclose to a client in writing if it accepts any valuable consideration from a third party as an inducement in respect of a regulated service provided to a client?

1. The existence of the agreement.
2. The nature, extent, value and frequency of receipt of such valuable consideration. AND
3. The identity of the other person providing or offering the valuable consideration.

208	Rule 8.60.1	1.5
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What information must a member obtain and maintain for each client account?

Sufficient information to enable it to identify:

1. The client.
2. The account holder of a controlled client account if the account holder is not a client of the member but is a person on behalf of a client acting as an agent.
3. The person or persons responsible for placing instructions on the account.

209	Rules 8.60.2/3	2.5
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What is the minimum information that a member must obtain in respect of each client?

1. Full name.
2. Identity number or registration number.
3. Physical and postal addresses.
4. Telephone number.
5. Legal status.

210	Rule 8.60.2	1
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What is the minimum information that a member must obtain in respect of the beneficial owner of each controlled client account if the account holder is not a client but a person on whose behalf a client is acting as an agent?

1. Full name.
2. Identity number or registration number.

211	Rule 8.60.3	1
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Is a member permitted to open a client account with a name other than that of a person with legal status?

No. Accounts may not be opened with fictitious names or names that do not represent a person with legal status, commonly referred to as trading account names.

Question	Reference	Marks
212	Rule 8.60.4	2
<p>Unless the client is a bank or a financial services provider or the foreign regulated equivalent of such entities, what information must be obtained in respect of the persons responsible for placing instruction on a client account if the person placing the instructions is not the individual in whose name the account is held or the account is not in the name of an individual?</p> <ol style="list-style-type: none"> 1. Full name. 2. Identity number. 3. Physical and postal addresses. 4. Telephone number. 		
213	Rule 8.60.5 & 6	3
<p>Other than obtaining the information referred to in rules 8.60.2 to 8.60.4, what are the other requirements regarding the prescribed information to be obtained from clients?</p> <ol style="list-style-type: none"> 1. All of the information must be confirmed by the client in writing and the member must maintain a record of such confirmation. Any changes to the said information shall be advised by the client in writing as soon as practicable. 2. As a minimum, the identity of the client must be authenticated by the member and the member must maintain a record of the means of such authentication. 		
214	Rule 8.70	1
<p>What must a member do before effecting a transaction with a person whom the member reasonably believes requires authorisation as a discretionary service provider?</p> <p>Take reasonable steps to ascertain that such person has the required authorisation.</p>		
215	Rule 8.80.1	0
<p>In what manner must a member transact its business for its own account or for the account of a client?</p> <p>In a just and equitable manner in accordance with the Act, rules and directives.</p>		
216		
<p>Reserved</p>		
217	Rule 8.80.2	0
<p>What do members warrant to the JSE and to the person with, or on behalf of whom, the member executes transactions?</p> <p>That any person employed by the broking member has full authority to act on the member's behalf.</p>		
218	Rule 8.80.3	0
<p>What can taped recordings of telephone calls and transcripts of conversations the member, one of its employees and any client or potential client thereof be used for?</p> <p>They may be submitted in evidence in any disciplinary proceedings involving the member or one of its employees.</p>		

Question	Reference	Marks
219	Rules 8.90.1/2	4
<p>A member is required, at all times, to adhere to the best execution principle when acting for a client in the purchase or sale of equity securities. What is a member required to do to adhere to this principle?</p> <ol style="list-style-type: none"> 1. Take reasonable care to obtain the result which is the best available for the client, subject to the terms and conditions of the agreed mandate with the client. 2. All transactions must be conducted through the central order book of the JSE equities trading system unless the execution of an off-book trade is in the best interests of the client. 		
220	Rule 8.90.3	0.5
<p>What is a member required to do before acting as a principal with a client?</p> <p>Obtain the client's prior consent.</p>		
221	Rule 8.100.1.1	1
<p>What are the requirements as to how a member determines the value or rate of commission to be charged to a client on an agency transaction?</p> <p>The commission must be mutually agreed with the client in advance of the transaction.</p>		
222	Rule 8.100.1.2	1
<p>Is a member permitted to charge a fee in respect of a transaction executed as principal with a client?</p> <p>Yes, provided it has been mutually agreed with the client in advance of the transaction.</p>		
223	Rule 8.100.2	0.5
<p>Other than the agreed commission, is a member permitted to make a profit on an agency transaction?</p> <p>No.</p>		
224	Rule 8.100.4	0
<p>What must a member disclose in advance to a client in relation to interest on client funds deposited in JSET?</p> <ol style="list-style-type: none"> 1. The rate at which such fee or charge will be determined; or 2. The manner of calculation of such fee; or 3. The actual fee or charge so deducted. 		
225	Rule 8.110.1	0.5
<p>By what time is a member required to issue a client a contract note or transmit to a client, via electronic means acceptable to the JSE, a confirmation of a transaction?</p> <p>By 12h00 on the day following the transaction.</p>		

Question	Reference	Marks
226	Rule 8.110.2	3

What shall a contract note or electronic confirmation of a transaction in equity securities disclose?

1. The date and time of the transaction.
2. The identification number of the transaction.
3. The amount and nature of the member's charges in connection with the transaction.
4. The price at which the transaction was executed and the total consideration due from or to a client.
5. The settlement date of the transaction.
6. Whether the member acted as an agent or as a principal in the transaction.

227	Rules 8.110.3/4/5/6	6
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What is a specifically designated suspense account and what are the provisions regarding the use of such accounts in relation to the issuing of contract notes with average prices?

1. It is an account to which a member may, with the prior consent of a client, initially book transactions.
2. It may be opened either:
 - a. in the name of the client; or
 - b. in the name of an agent appointed by the client to transact on his behalf.
3. Transactions in the same security on the same day may be allocated from the suspense account to the accounts of the underlying beneficiaries at an average price based on the instruction of the client or agent.
4. Contract notes or confirmations must disclose that the transactions are at an average price.
5. The member must notify the client or agent that the prices and times of each transaction are available from the member on request.

228	Rule 8.110.7	1
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In respect of which clients is a member not required to obtain consent to allocate transactions to such clients at an average price nor to notify the client that the prices and times of each transaction are available from the member?

Clients whose equity securities are managed by the member.

229	Rule 8.120.1	2
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What must an ISP obtain from a client prior to managing JSE authorised investments on behalf of a client?

A written mandate recording the arrangement containing the minimum requirements prescribed by the JSE signed by the client or accepted by the client by electronic means.

230	Rule 8.120.2	0
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What record is a member required to maintain relating to investment mandates?

A register of each investment mandate.

231	Rule 8.120.3.1	1.5
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What information is an ISP required to obtain from a client prior to exercising discretion in the management of JSE authorised investments on behalf of the client?

Information regarding the client's financial situation, investment experience and particular needs and objectives in connection with the services required, to enable the member to make an appropriate investment decision.

Question	Reference	Marks
232	Rule 8.120.3.2 & 3	2
<p>In exercising discretion in the management of JSE authorised investments, what steps is an ISP required to take prior to making an investment decision, based on the information provided by the client?</p> <ol style="list-style-type: none"> 1. Conduct an analysis, based on the information obtained, for the purpose of making an investment decision. 2. Identify the JSE authorised investments that will suit the client's risk profile and financial needs, subject to the terms of any mandate provided to the member by the client. 		
233	Rules 8.120.5/6	3
<p>In exercising discretion in the management of JSE authorised investments, what steps is an ISP required to take prior to conducting transactions in derivative instruments?</p> <ol style="list-style-type: none"> 1. Obtain consent in writing from the client authorising it to invest in derivative instruments on behalf of the client. 2. Consider whether such investments are appropriate for the client in relation to the client's financial situation, investment experience and investment objectives. 3. Advise the client, in writing, of the risks associated with trading in derivative instruments. 		
234	Rule 8.120.9	5
<p>In exercising discretion in the management of JSE authorised investments, what steps is an ISP required to take prior to entering into transactions in foreign investments on behalf of a client?</p> <ol style="list-style-type: none"> 1. Ensure that the mandate provided by the client: <ol style="list-style-type: none"> a. stipulates that the ISP is authorised to invest in foreign investments; b. contains a statement pertaining to the risks associated with foreign investments, with particular reference to any currency risk; c. states whether there are any jurisdictional restrictions in respect of the particular foreign investments; and d. contains full particulars of a manner in which such foreign investments shall be made and in whose name such investments shall be held or registered; and 2. Confirm that the client has obtained a tax clearance certificate from SARS. 		
235	Rule 8.120.10	0
<p>To whom may any ISP who manages foreign investments apply to acquire foreign portfolio investments?</p> <p>The Exchange Control Department of the South African Reserve Bank.</p>		
236	Rule 8.120.11	4
<p>What information must an ISP who manages foreign investments furnish to a client on the client's request?</p> <ol style="list-style-type: none"> 1. The name of the licensed external exchange on which the foreign investments are listed, if applicable. 2. The country in which the foreign investments are licensed or registered and the name and address of the relevant licensing or registration authority, if applicable. 3. The name and address of the foreign financial services provider used by the ISP to purchase or hold the foreign investments, if applicable. 4. The name and address of the regulator of the foreign financial services provider and whether such foreign financial services provider is approved or registered by such regulator. 		

Question	Reference	Marks
237	Rule 8.130.1	5

In providing advice in respect of JSE authorised investments to a client, other than a professional client, what steps must an ISP take prior to providing such advice?

1. Take reasonable steps to obtain information regarding the client's financial situation, investment experience, and particular needs and objectives in connection with the services required, to enable the member to provide the client with sound advice.
2. Conduct an analysis, based on the information obtained, for the purpose of advising the client.
3. Identify the JSE authorised investments that will suit the client's risk profile and financial needs, subject to the terms of any mandate provided to the member by the client.
4. Take reasonable steps to ensure that the client understands any advice that has been provided, as well as the nature and material terms and risks involved in the relevant transaction, so as to enable the client to make an informed decision and;
5. Ensure that any advice provided is not for the primary purpose of maximising the income of the member.

238	Rule 8.130.2	2
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What must a member do before providing unsolicited advice to a client with the purpose of encouraging or inducing the client to transact in derivative instruments?

1. Consider whether such investments are appropriate for the client in relation to the client's financial situation, investment experience and investment objectives.
2. Advise the client, in writing, of the risks associated with trading in derivative instruments.

239	Rule 8.140	6
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What must the written arrangement between a member and a controlled client contain regarding instructions relating to corporate actions?

1. Whether the client wishes to receive all company reports, proxy forms, notices, circulars, listing particulars and any other issuer communications in respect of equity securities of which such client is a beneficial owner.
2. Whether the member is entitled and obliged to utilise its discretion in electing particular options in respect of all or certain corporate action events which require such an election to be made.
3. Whether the member may utilise its discretion in exercising voting rights on behalf of the client.
4. The means of communication between the member and the client if the member is not granted discretion to act. This will apply to the communication of the relevant issues to the client by the member as well as the client's response thereto.
5. The date and time by which the client is required to make an election, if applicable.
6. The option which the member may elect if the client fails to advise the member of their election before the relevant deadline.

240	Rule 8.150.1	0
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What must a member do before conducting money broking transactions for clients?

Obtain specific authorisation from the JSE to do so.

Question	Reference	Marks
241	Rules 8.150.2/3	1
<p>Before accepting funds from a client for money broking transactions, what is a member required to obtain from the client?</p> <p>A written mandate incorporating the conditions published by the registrar of banks or the JSE, subject to the type of money broking transactions to be conducted.</p>		
242	Rules 8.150.4	2
<p>What are the two types of bank accounts that a member may open to conduct money broking transactions on behalf of a client?</p> <ol style="list-style-type: none"> 1. An account with a bank in the name of the member where clients' funds are pooled and the member forwards statements to the client. 2. An account in the name of the client with the bank forwarding account statements directly to the client. 		
243	Rule 8.150.5	1
<p>If a member conducts money broking transactions via a pooled account in the name of the member, which regulation, other than the JSE rules, is the member required to comply with in conducting such transactions?</p> <p>The conditions published by the Registrar of Banks under paragraph (gg) of the definition of "the business of a bank" in the Banks Act.</p>		
244	Rule 8.150.8	1
<p>If a member accepts funds from a client pursuant to a money broking transaction and the funds have not been deposited with a bank on the day of receipt, what is a member required to do?</p> <p>Deposit the funds with JSET for same day value pending the deposit of the funds with the relevant bank.</p>		
245	Rule 8.170	0.5
<p>What is the maximum amount of cash (coin and paper money) a member may receive or accept from any person in a single deposit?</p> <p>R5 000.</p>		
246	Rule 8.180.2	4
<p>At what intervals must a member provide statements to its clients?</p> <ol style="list-style-type: none"> 1. At regular intervals which may not exceed 3 months unless the clients agree in writing not to receive statements because they are able to access the information made available by the member through electronic means, such as the internet on a continuous basis. 2. Monthly if the client's portfolio managed by a member includes any transactions or positions in derivative instruments. 3. At such intervals of less than 3 months as the client requests, although the member is not obliged to provide statements more frequently than monthly or; 4. At such intervals as may be agreed between the member and a professional client. 		

Question	Reference	Marks
247	Rule 8.180.4	5

List 5 items of information which a client's statement must contain.

1. The quantity, description and market value of each investment comprising the portfolio held by the member or for which the member is accountable to the client, at the reporting date.
2. The amount of funds held by the member or which have been invested by the member on behalf of the client and for which the member is accountable to the client, at the reporting date.
3. If any of the JSE authorised investments are reflected in a foreign currency, the relevant currency exchange rate at the reporting date must also be reflected.
4. JSE authorised investments purchased or sold during the reporting period.
5. Receipts and payments of funds during the reporting period.
6. Details of income earned and expenditure incurred during the reporting period.
7. Non-cash transactions during the reporting period, including non-cash components of corporate actions and option expiries.
8. JSE authorised investments transferred into and out of the portfolio during the reporting period.
9. Identification of those JSE authorised investments which at the reporting date were loaned to any third party but for which the member is still accountable to the client.
10. The quantity, description and market value of any financial products, or the amount of funds, held as collateral by the member on behalf of the client in respect of any loans made by the client.
11. Identification of those JSE authorised investments which at the reporting date were utilised to secure loans to the client or borrowings made on behalf of the client.
12. Identification of those JSE authorised investments which at the reporting date were utilised as margin in respect of open positions in any financial product.
13. In respect of investments in derivative instruments, a description of the underlying financial product, index, commodity or thing, the expiry month and the exercise or strike price.
14. If the statement reflects any JSE authorised investments which are not held by the member and for which the member is not accountable to the client, it should clearly indicate that fact in relation to such JSE authorised investments.

248	Directive BD 1.1	0
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What is a member required to do to enable the JSE, through the facility of the BDA system to effect transfers of funds between the member's business account and the member's trust account or JSE trustees?

Grant the bank, at which it maintains its trust account, authority in a form prescribed by the committee.

249	Directive BD 1.3 & 1.4	2
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What are the only circumstances in which a member is permitted, with the prior written concurrence of the Director: Surveillance, to instruct their bank to amend any transfer of funds by the JSE through the facility of the BDA system between the member's business account and trust account or JSE trustees?

1. Where the member is aware that the transfer will result in insufficient funds being held in the member's trust account or JSET.
2. Where the member is of the opinion that the transfer will result in the amount to be held in the member's trust account or JSET being materially in excess of what it should be.

250	Directive BD 2.1 & 2.2	0.5
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What is the consequence of a member not having sufficient funds or facilities available to effect transfers from its current account to a trust bank account in accordance with the requirement to segregate client's funds?

The JSE may declare the member to be in default.

Question	Reference	Marks
251	Directive BI 1.1	1
Under what circumstances are sundry client accounts permitted to be used?		
By prior arrangement with the Director: Surveillance in respect of new issues or similar instances or to maintain the balance in securities held on behalf of clients where securities have been delisted or suspended.		
252	Directive BI 1.2	1
What records are required to be kept as support for all sundry accounts?		
Appropriate records identifying the clients on whose accounts the transactions have been executed or on whose behalf the securities are held.		
253	Directive BI 2.2	0.5
By when must all purchases and sales executed with or on behalf of clients be allocated to the client?		
By the close of business on the date of the transaction.		
254	Directive BI 2.3	0.5
What is a member required to demonstrate if it allocates transactions to interested parties from suspense accounts?		
That no client is prejudiced as a result of the use of a suspense account.		
255	Directive BI 2.4	2
What controls are required to be implemented to prevent prejudice to clients when utilising suspense accounts?		
<ol style="list-style-type: none"> 1. Use of separate suspense accounts for interested parties, e.g. employee suspense. 2. Use of separate suspense accounts dedicated to specified clients. 3. Use of separate suspense accounts where the trading instruction and allocation vests with one person, such as a portfolio manager. 4. Ensuring that an employee on whose behalf the member operates a full discretionary managed account has no influence over either the trading instruction or the allocation instruction. 		
256	Directive BI 2.5	1
Who is considered to be an interested party in relation to the use of suspense accounts?		
A member or employee of the member who has a direct or indirect beneficial interest in a trade.		
257	Directive BI 2.7	0.5
Is a member permitted to realise a profit or loss in a suspense account?		
No.		

Question	Reference	Marks
258	Directive BI 2.8	0
<p>What is a member required to issue to clients in respect of each days transactions and what date shall it reflect?</p> <ol style="list-style-type: none"> 1. Separate contract notes in a particular security for a particular client whether or not such deals have been booked through suspense. 2. The actual date on which the deal was originally effected. 		
259	Directive BI 3.1	1
<p>What is the sole purpose of a misdeals account?</p> <p>It is an account in which all error transactions and missed deals shall be recorded.</p>		
260	Directive BI 3.2	1
<p>In what manner are members obliged to close out positions on misdeals accounts?</p> <p>Only through the JSE equities trading system.</p>		
261	Directive BI 3.3	2
<p>How are transactions placed into a client account resulting from a missed deal required to be booked and why?</p> <p>Via the on-line backdating facility in the BDA system using the code MD to ensure that the contract note reflects that the member traded as a principal with the client.</p>		
262	Directive BI 3.4.1	0
<p>What are the only purposes for which misdeals accounts are permitted to be used?</p> <p>Correcting error transactions and missed deals.</p>		
263	Directive BI 3.4.2	1
<p>What is the main objective in ensuring that transactions recorded in misdeals accounts are appropriately controlled?</p> <p>That any potential prejudice to clients affected by such transactions is avoided.</p>		
264	Directive BI 4	0
<p>Does a separate arbitrage account/s need to be maintained?</p> <p>Yes.</p>		

Question	Reference	Marks
265	Directive BI 5	0

In order to distinguish between client's position in suspense account and various stock accounts and to identify the nature of certain accounts, account type codes and account identification codes must be loaded on various accounts. What are the type codes and identification codes of the following accounts?

1. Overseas agent - member has no financial interest.
2. Overseas agent - member has a financial interest.
3. Stock accounts of member's principals in their client's ledger.
4. Client's agency allocation/suspense account.
5. Client's deal adjustment accounts.
6. Stock accounts - arbitrage.
7. Stock accounts - investment.
8. Stock accounts - jobbing.
9. Stock accounts - misdeals.
10. Stock accounts - suspense.

	Account type code	Account ID
1.	A or C	FNI
2.	A or C	FMI
3.	C	SBP
4.	DA	CAS
5.	DA	CDA
6.	S or C	ARB
7.	S or C	INV
8.	S or C	JOB
9.	S or C	MIS
10.	S or C	SUS

266	Directive BI 7.1.1	2
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What client information must a member ensure is loaded on the client maintenance (CLMNT) screen on the BDA system?

1. The full name.
2. Address.
3. Telephone number.
4. Identification or registration number of the account holder.

267	Directive BI 7.1.2	3
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What information must be loaded on either the client maintenance (CLMNT) screen or the account relationship (ARMNT) screen on the BDA system using the REL code if the person placing the instructions on a client account is not the individual in whose name the account is held or the account is not in the name of an individual, unless the client is a bank, or a financial services provider, or the regulated foreign equivalent of such entities?

1. The full name.
2. Address.
3. Telephone number.
4. Identification or registration number of such person.

Question	Reference	Marks
268	Directive BI 7.1.3	1
<p>If an account holder is not an individual, what information must be loaded in the Institution Code field of the Client Maintenance screen on the BDA system?</p> <p>The legal status of the client as referred to in the rules.</p>		
269	Directive BI 7.1.4	2
<p>On which client accounts must a staff indicator be loaded in the relevant field on the client maintenance screen on the BDA system?</p> <p>All accounts in which an employee of a member has a beneficial interest or on which they place instructions.</p>		
270	Directive BK 1	1
<p>What steps is a member required to take prior to loading a controlled client account as a non-resident?</p> <ol style="list-style-type: none"> 1. Obtain documentation confirming that the client is in fact a non-resident. 2. Maintain a record of such verification. 		
271	Directive BK 2	1.5
<p>How is a CSP required to ensure that securities received from a non-resident controlled client are in fact non-resident securities?</p> <p>By verifying that the securities have been transferred from another non-resident account operated by -</p> <ol style="list-style-type: none"> 1. another member; 2. a CSDP; or 3. a financial services provider; <p>and retaining a record of such verification.</p>		
272	Directive BK 3	0.5
<p>Under what circumstances is a CSP permitted to transfer uncertificated securities within a nominee register from a resident controlled client account to a non-resident controlled client account?</p> <p>Under no circumstances.</p>		
273	Directive BK 4 & 5	3
<p>What procedures are required to be followed by a CSP when submitting certificates for dematerialisation to ensure that certificates submitted on behalf of a non-resident client reflect a non-resident endorsement?</p> <ol style="list-style-type: none"> 1. The certificates held on behalf of non-resident clients reflecting non-resident endorsement must be submitted in separate batches from certificates held on behalf of residents which are not endorsed. 2. The covering document submitted with those batches must clearly indicate that the certificates are held on behalf of non-resident clients to enable the CSD participant to confirm by their signature on the covering document that all of the certificates in those batches are endorsed non-resident. 		

Question	Reference	Marks
274	Directive BK 7	0
<p>Can a CSP submit certificates held on behalf of a non-resident controlled client for dematerialisation if they do not reflect a non-resident endorsement?</p> <p>No.</p>		
275	Directive BK 8 & 9	2
<p>If a CSP wishes to dematerialise a certificate held on behalf of a non-resident and the certificate is not endorsed non-resident, what is the CSP required to do prior to submitting the certificate for dematerialisation?</p> <p>Either:</p> <ol style="list-style-type: none"> 1. Obtain an endorsement; or 2. Where the client is identified as not in fact being a non-resident and the Exchange Control Indicator on the CLMNT screen on BDA is incorrect, transfer the shares to a resident account in the name of the client. 		
276	Directive BL.1	1
<p>What are "inward listed securities"?</p> <p>Means shares issued by foreign companies which have been listed on the JSE in terms of the South African Reserve Bank's exchange control regulations</p>		
277	Directive BL & JSE Gazette 7A Feb 2008	1
<p>Can companies, trusts, partnerships and banks trade and hold inward listed securities?</p> <p>Yes</p>		
278		
<p>Reserved</p>		
279	Directive BL & Gazette 7A Feb 2008	1
<p>Do institutional clients have to obtain Exchange approval prior to trading in inward listed securities?</p> <p>No</p>		
280	Directive BL 2 and JSE Gazette 127 6 Dec 2004	2
<p>Can a member trade in inward listed securities for emigrant clients?</p> <p>No.</p>		
281	Directive BL & JSE Gazette 127 6 Dec 2004	1
<p>If the Settlement Authority picks up a trade in inward listed securities on an emigrant client's account what will the member be instructed to do?</p> <p>Move the deal to a misdeals account and assume responsibility for the settlement on settlement day.</p>		
282		
<p>Reserved</p>		

Question	Reference	Marks
283	Directive BO	0.5
<p>Are members knowingly permitted to transact business on behalf of a partner or member of the staff of the auditor of its firm if such staff or partner is involved with the audit of the member?</p> <p>No.</p>		
284	FMA Chapter 3 – Section 18	0.5
<p>If a member wishes to repledge listed securities which have been pledged by a client, what information do they need to obtain from the client?</p> <p>The written consent of the client.</p>		
285	Directive BR. 1	0.5
<p>If a client has paid in full for securities which have been purchased but the securities have not yet been allocated to the client, is the member permitted to pledge those securities?</p> <p>No.</p>		
286	Directive BR. 1	0.5
<p>If a client has delivered securities to the member which the client has sold, is the member permitted to pledge those securities prior to the settlement date of the sale?</p> <p>No.</p>		
287	Directive BR 2	4
<p>What is a member which pledges or retains in pledge any JSE authorised investments required to do on the day of such pledge?</p> <p>A member which pledges or retains any JSE authorised investments shall-</p> <ol style="list-style-type: none"> 1. Ensure that the quantities, certificate numbers (where applicable) and securities codes of all deposits and withdrawals of JSE authorised investments are recorded into the BDA system. 2. Ensure that all cash receipts from clients for banking on that day are processed. 3. Furnish the bank with a provisional computer report (PBNKBP) daily when JSE authorised investments are pledged detailing the investments pledged and whether or not such investments are available for pledge at that time. 		
288	Directive BR 2.2	2
<p>What is a member which pledges or retains in pledge any JSE authorised investment required to do on each day such investments remain in pledge?</p> <p>The member shall, at the commencement of business on the following business day, furnish the bank with the final computer report (PBNKPL) produced in the overnight run which will report updated values, and details of JSE authorised investments which should not have been pledged. The bank shall be provided with explanations for these items.</p>		

Question	Reference	Marks
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289	Directive BR 2.3	2
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What must a member ensure with its bankers regarding the pledging of JSE authorised securities?

That the arrangements clearly specify that only items appearing on the final report (PBNKPL) as available for pledge will be legally enforceable as having been pledged

290	Directive BT 5	0
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In the event that the JSE or its agent may conduct an audit of compliance with the utilisation and access requirements what is a TSP required to do?

Assist in the conduct of such audit.

Client Assets

Question	Reference	Marks
291	Rule 1.40	0.5
Define "client assets"		
JSE authorised investments safeguarded by a member on behalf of clients.		
292	Rule 1.40	0.5
Define "controlled client account"		
An account reflecting the equity securities and funds of a controlled client.		
293	Rule 1.40	1
Define "controlled client"		
A client or an account holder on whose behalf a client is acting, whose funds and uncertificated equity securities are under the control of a CSP or whose settlements take place via the CSDP of a member.		
294	Rule 1.40	0
Define "CSP"		
A custody services provider.		
295	Rule 1.40	2
Define "controlled client custody account"		
An equity securities account with a CSDP in the name of the member's nominee company which reflects the uncertificated equity securities balances of the member's controlled clients and through which settlement of transactions in equity securities for such controlled clients is effected.		
296	Rule 1.40	2.5
Define "custody services"		
The services provided by a custody services provider on behalf of its clients or another member and that member's clients, in relation to the exercising of control over uncertificated equity securities and funds intended for the purchase of equity securities, held by a member on behalf of controlled clients.		
297	Rule 1.40	0.5
Define "custody services provider"		
A member which has been authorised by the JSE to perform custody services in terms of the rules.		

Question	Reference	Marks
298	Rule 1.40	3.5

Define "JSE authorised investments"

1. equity securities;
2. JSE listed securities traded on the JSE derivatives trading system or the Yield-X trading system;
3. securities listed on an exchange in the republic other than the JSE;
4. securities listed on an external exchange;
5. participatory interests in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 2002 (Act No.45 of 2002), and units or any other form of participation in a foreign collective investment scheme approved by the Registrar of Collective Investment Schemes in terms of section 65 of that Act;
6. units or any other form of participation in a collective investment scheme licensed or registered in a foreign country; and
7. funds intended for the purchase of such securities, units or participation.

299	FMA Chapter 1	2
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Define "safeguarding"

Safeguarding means the activities performed by an authorised user –

- (a) for the purposes of holding securities or funds in custody on behalf of another person; or
- (b) where the authorised user is accountable to another person for a third party's holding of securities or funds in custody on behalf of that other person, and includes the administration of matter incidental to those securities or funds

300	Rule 9.10.1	0.5
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A member may accept from or hold uncertificated equity securities or funds intended for the purchase of equity securities for a client for safekeeping. Who must control such assets?

An authorised CSP.

301	Rules 9.10.2/3	1.5
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Before accepting equity securities and funds from a controlled client for custody, what is a member required to obtain from a client and where must it be recorded?

1. The arrangements must be recorded in a written mandate incorporating the minimum requirements as prescribed by the JSE.
2. Electronic acceptance or signed acceptance of the mandate by the client.
3. In a custody mandate register.

302	Rules 9.10.4/5	4
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What is a CSP required to do regarding the safeguarding of controlled clients' equity securities?

1. Keep a nominee register, in terms of criteria prescribed by directive, of the controlled client equity securities that are being held from time to time. Full details of any change must be recorded forthwith in the nominee register.
2. Pre-validate equity securities in terms of generally accepted market practice.
3. Dematerialise equity securities that are eligible to be dematerialised in terms of the processes required by the member's CSDP.
4. The necessary details of all equity securities of a controlled client must be recorded and stored in a nominee register in the BDA system in a manner which will render it possible at any time thereafter to establish readily the identity of the person entitled to the ownership of those equity securities. Such equity securities must be held in a securities custody account with a CSDP.

Question	Reference	Marks
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303 **Rule 9.10.4** **1**

When is dematerialisation of equity securities complete?

When notification has been received by the member's CSDP that the equity securities are available for electronic settlement.

304 **Rule 9.10.7** **1.5**

A CSP that controls a nominee register must balance the equity securities with the securities custody account at the CSDP on a daily basis. What must be confirmed in the monthly certificate to be furnished to the Director: Surveillance on the third business day after BDA month end?

1. The equities securities balances in the nominee register have been agreed with the CSDP controlled client custody account balances or, if there are differences, explaining the reasons for such differences.
2. The equities securities balances in the nominee register have been reconciled daily with the CSDP controlled client custody account balances and that all differences occurring during the month were either rectified within one day or if circumstances beyond the control of the CSP prevented any differences from being rectified within one day, those differences were rectified as soon as was reasonably possible; and
3. No circumstances have arisen that have resulted in the improper use of controlled clients' equity securities.

305 **Rule 9.10.8** **1**

What is a CSP required to do when it receives certificated equity securities from a controlled client?

Forthwith issue a dated and signed receipt recording the:

1. Name.
2. Quantity.
3. Certificate number.
4. Registered holder of the equity security.

306 **Rule 9.10.9** **1**

What is a member required to do if equity securities belonging to a controlled client are held as collateral in respect of a loan of funds or securities?

1. The CSP must record those securities in the nominee register as being collateral for a loan.
2. If a pledge is required by the member the CSP must keep a record or register of the pledges held.

307 **Rules 9.10.11 /12** **2**

What are the 2 rules which cater for the safeguarding of controlled clients' funds?

1. Funds received in respect of or arising from the operation of an account for a controlled client which are not paid over to the client upon receipt of such funds, must be deposited for the account and in the name of the client with JSET.
2. The difference between the total of the funds balances on all controlled client accounts in the books of account of the member as at the close of business on the preceding business day and the total amount held by JSET on behalf of the clients of such member as at the same date must be paid to or received from JSET forthwith.

Question	Reference	Marks
308	Rules 9.20.2/4	1.5

Before accepting certificated equity securities from a client for safekeeping, what is a member required to obtain from a client and where must it be recorded?

1. The arrangements must be recorded in a written mandate containing the minimum requirements as prescribed by the JSE.
2. Electronic acceptance or signed acceptance of the client.
3. In a safe custody mandate register.

309	Rules 9.20.6 - 11	4
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Itemise 4 control procedures in the rules relating to the safeguarding of clients' certificated securities.

1. The certificates must be marked with the necessary details recorded and stored in BDA to readily establish the identity of the owner.
2. They must be protected from unauthorised access and misappropriation.
3. No transfer deed may be attached until such securities are prepared for disposal or delivery.
4. Name of issuer and number of shares must be inserted on the transfer deed before the registered owner signs for it.
5. No blank signed transfer deeds may be retained.
6. JSE must be satisfied that adequate insurance cover is held by the member.
7. A signed receipt recording the name of the securities, number of securities and certificate number must be issued forthwith on receipt of the securities.

310	Rule 9.30.2	1.5
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Before accepting clients' assets other than equity securities for safekeeping or assuming the responsibility for accounting to a client, what is a member required to obtain from a client and where must it be recorded?

1. The arrangements must be recorded in a written mandate containing the minimum requirements as prescribed by the JSE.
2. Electronic acceptance or signed acceptance of the client.
3. In a safe custody mandate register.

311	Rules 9.30.3/5	6
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What are the requirements with which a member, who is responsible for clients' assets other than equity securities, must comply?

1. The relevant assets must be segregated from the member's own assets at all times. If the assets are held in an account maintained by another financial services provider, including a foreign financial services provider, the account shall either be opened in the client's own name or, if the member opens a single account in respect of transactions executed on behalf of more than one client, the member shall procure that the account is clearly designated in the records of the relevant financial services provider as being an account utilised for investments made by the member on behalf of its clients.
2. A member must maintain proper accounting records in respect of all such assets purchased, sold or held on behalf of clients. These records must be updated forthwith in respect of any transactions in respect of such assets and must clearly identify the owners of all such assets at all times.
3. A member must balance its clients' holdings in such assets, as reflected in the member's records, with the accounts maintained by the other financial services providers who hold such assets, on a monthly basis. Any differences identified between the respective records must be rectified forthwith.
4. A member who is responsible for safeguarding client assets other than equity securities must implement and maintain an effective system of internal controls to protect such assets and prevent unauthorised access thereto.

Question	Reference	Marks
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312	Rules 9.30.4 & 9.40	1
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What is a member required to do with funds held on behalf of a client intended for the purchase of JSE authorised securities other than equity securities or, held by a member from time to time relating to regulated services (i.e. margins and cash collateral)?

Deposit the funds which have not been remitted in JSET for the account of the client for value on the date of receipt of such funds.

313	Rule 9.50.4	0.5
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Clients funds may not be deposited in JSET for the sole purpose of earning interest. True or False?

True.

314	Directive FI 1, 2 & 4	2.5
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1. What must a TSP do prior to entering into an arrangement with another member to act as its settlement agent?
AND
2. What may the agreement provide?

1. Advise the JSE of its intention to do so.
2. That the settlement agent:
 - a. Assists the TSP in meeting its obligations to ensure settlement of proprietary trades and trades executed on behalf of non-controlled clients.
 - b. Monitors unsettled proprietary and non-controlled clients' trades.
 - c. Institutes any action which is necessary to ensure the TSP meets its obligations to settle.

315	Directive FI 3	0.5
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If a settlement agent has been appointed by a TSP, who is ultimately responsible for meeting the TSP's settlement obligation?

The TSP itself.

316	Directive FK 1	5
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What are the key objectives regarding their structures, systems and resources which a member applying to be authorised to perform custody services be able to demonstrate to the JSE so as to assure continuity of business and the total protection of client assets?

1. MANAGEMENT OVERSIGHT which evidences commitment to effective control.
2. PEOPLE AND RESOURCE - adequate numbers of suitably qualified personnel of integrity.
3. INTERNAL CONTROL - documented, designed to ensure business is properly conducted and that the assets of a member are safeguarded.
4. CONTINUITY OF BUSINESS - adequate financial resources and risk management systems.
5. INFORMATION TECHNOLOGY SYSTEMS - documented, designed to prevent unauthorised use, properly tested to assure continuity of operation.

317	Directive FL 3	0.5
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The CSP is ultimately responsible for any obligation to the JSE or other broking members or its TSP's clients through the performance of its function as a CSP. True or false?

False

Question	Reference	Marks
318	Directive FL 4	2
<p>The arrangement between a TSP and its CSP shall be recorded in writing, a copy of which must be lodged with the JSE. What shall such arrangement provide?</p> <ol style="list-style-type: none"> 1. That the functions for which the CSP is responsible are performed strictly in terms of the Act, rules and directives. 2. That the CSP acts as an agent for the TSP in all actions it performs. 3. That the CSP permits an audit of its role as a CSP on behalf of the TSP. 4. That the CSP utilise the BDA system. 		
319	Directive FL 6.1	0.5
<p>What is a TSP who appoints a CSP required to ensure regarding the processing of receipts and payments on the TSP's:</p> <ul style="list-style-type: none"> - Current banking account. - Settlement banking account. - Non-resident banking account and - Trust account? <p>That the CSP has the necessary authority to process receipts and payments.</p>		
320	Directive FL 6.2	1
<p>What is a TSP who appoints a CSP required to do regarding the TSP's security transfer stamp?</p> <p>Grant authority to the CSP to utilise the stamp together with an authorised signatory of the CSP for use on transfer forms and other similar documents.</p>		
321	Directive FL 6.3	1.5
<p>What is a TSP who appoints a CSP required to ensure regarding custody accounts?</p> <ol style="list-style-type: none"> 1. That an account in the name of a nominee company owned by the TSP be opened at the TSP's CSDP. 2. That the CSDP will only accept instructions, other than settlement instructions, from the CSP. 3. The member shall not be permitted to open an account in its own name. 		
322	Directive FL 7	2.5
<p>In the event of either a TSP or CSP becoming aware of any irregular behaviour relating to the operation of client accounts the TSP or its CSP should promptly advise the other party of such behaviour. Itemise 5 types of irregular behaviour mentioned in Directive FL 7.</p> <ol style="list-style-type: none"> 1. Issuing of fraudulent instructions. 2. Provision of false information. 3. Presentation of forged, fraudulent or stolen documents of title or instruments of payment. 4. Fraudulent electronic transfers of funds or securities to the TSP or its CSP. 5. The theft of clients' securities or funds. 		

Question	Reference	Marks
323	Directive FL 8	2

Following the discovery of any loss or occurrence likely to give rise to a loss to the TSP and/or its clients which may be covered in terms of the "in and out" fidelity policy and which may have occurred in the operations of the CSP, what is the member who discovered the loss or occurrence required to do?

1. Promptly advise the other party (TSP or CSP).
2. Both parties to consider whether they may have suffered any actual or potential loss or incurred an actual or potential liability to a 3rd party and if so;
3. Promptly give notice in writing of the discovery to the insurance brokers acting for the JSE.

324	Directive FL 9	0.5
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Prior to terminating an arrangement with a CSP, what is a TSP required to do?

Obtain the consent of the JSE.

Settlement

Question	Reference	Marks
325	Rule 1.40	0.5
<p>Define "certificated equity securities"</p> <p>Equity securities evidenced by a certificate.</p>		
326	Rule 1.40	2
<p>Define "contract note"</p> <p>Notes issued in respect of trades executed on the JSE equities trading system by a member on any particular day :</p> <ol style="list-style-type: none"> 1. on behalf of a client, a confirmation from the member to the client in respect of such trades; and 2. on behalf of a member's proprietary account, the aggregate trades executed on such account 		
327	Rule 1.40	1
<p>Define "CSDP"</p> <p>A central securities depository participant that has been accepted by a central securities depository as a participant in that central securities depository.</p>		
328	Rule 1.40	0.5
<p>Define "dematerialisation"</p> <p>The process of converting a certificated equity security into an uncertificated equity security.</p>		
329	Rule 1.40	2.5
<p>Define "failed trade"</p> <p>A transaction in equity securities which the Settlement Authority deems to be a failed trade on the basis that neither the client, the member nor Settlement Authority is able to ensure that the transaction will settle on the settlement date or any revised settlement date.</p>		
330	Rule 1.40	1
<p>Define "funds settlement account"</p> <p>A funds account with a CSDP in the name of a member used exclusively for the settlement for funds relating to transaction in equity securities.</p>		
331	Rule 1.40	1
<p>Define "JSE settlement system"</p> <p>The computer system or systems and associated network or networks operated or used by the JSE for the purpose of settling transactions in equity securities.</p>		

Question	Reference	Marks
332	Rule 1.40	1
Define "margin"		
A payment made or guarantee provided by a member to the JSE to assure settlement of transactions in equity securities by that member or its clients.		
333	Rule 1.40	1
Define "non-controlled client"		
A client or an account holder on whose behalf a client is acting, who has appointed his own CSDP to settle transactions in equity securities on his behalf.		
334	Rule 1.40	1
Define "registered owner"		
A person or entity which appears on the main register of an issuer kept in terms of the Companies Act, and a person or entity which appears on the uncertificated securities register of that issuer kept by a CSDP in terms of the Companies Act.		
335	Rule 1.40	1.5
Define "ring-fencing"		
The process in terms of which linked deliveries and receipts which emanate from off book trades are separated and distinguished from deliveries and receipts which emanate from transactions in the central order book of the JSE equities trading system.		
336	Rule 1.40	1
Define "settlement agent"		
Means a CSP or other member appointed by a member in terms of directive FI to assist the member in managing the settlement of transactions executed by the member on behalf of non-controlled clients.		
337	Rule 1.40	1
Define "Settlement Authority"		
The person or persons appointed by the JSE to manage the settlement of transactions in equity securities effected through the JSE equities trading system in terms of the rules and directives.		
338	Rule 1.40	0.5
Define "settlement commitment"		
An electronic undertaking by a CSDP to settle a transaction in equity securities.		

Question	Reference	Marks
339	Rule 1.40	0.5
Define "settlement date"		
Settlement date means, in respect of a transaction in equity securities, the date on which the transaction is due to be settled.		
340	Rule 1.40	1
Define "terminating transaction"		
A purchase of equity securities which have not subsequently been sold or a sale of equity securities which have not subsequently been purchased.		
341	Rule 1.40	1
Define "uncertificated equity securities"		
Equity securities that are not evidenced by a certificate and are transferable by book entry without a certificate.		
342	Rule 1.40	0.5
Define "uncommitted settlement"		
A settlement obligation for which a CSDP has not provided a settlement undertaking.		
343	Rule 10.30.1	6
What are the principles relating to the settlement of equity securities transactions through Strate?		
<ol style="list-style-type: none"> 1. Contract note by contract note. 2. Between the ultimate buyer and the ultimate seller. 3. On a rolling and contractual basis, whereby transactions become contractually due to be settled a prescribed number of days after the trade date. 4. On a net basis per member per trade type and per equity security, whereby individual contract notes are consolidated and offset into net amounts of securities and funds for settlement. 		

Question	Reference	Marks
344	Rule 10.40	6

Itemise 6 powers of the Settlement Authority?

1. Manage the settlement of transactions in equity securities effected through the central order book of the JSE equity trading system and the risks associated with such settlement to ensure that the principles set out in rules 10.20 and 10.30 are adhered to.
2. Manage settlement of transactions in equity securities reported to the JSE trading system where "ring fencing" has occurred, and the risks associated with such settlement.
3. In its sole discretion and in exceptional circumstances, roll the settlement of a transaction on the basis set out in Rule 10,105
4. In exceptional circumstances, extend the times referred to in rules 10.60 to 10.110.
5. Monitor settlement obligations of members and their clients.
6. Ensure that the settlement obligations of members are met on the settlement date.
7. Monitor uncommitted settlements and take appropriate action in respect of such settlements.
8. Take action when a settlement of a transaction in equity securities is unlikely to take place on settlement date.
9. Buy and sell equity securities through the JSE equity trading system to meet any obligations arising from the management of the settlement process and the risks associated with such process.
10. Borrow, as agent, on behalf of a member as undisclosed principal, equity securities from third parties to facilitate the management of the settlement process and the risks associated with such process.
11. Levy fees, as prescribed by directive, on members for the loan of equity securities to members in order to facilitate the settlement process.
12. Impose penalties, as prescribed by directive, on members for any action or omission by a member which is potentially disruptive and/or has the effect of disrupting the settlement process and the functions of the Settlement Authority.
13. Instruct a member or a client (via the member) to roll out the settlement of a purchase or sale transaction on the basis set out in rule 10,105
14. Instruct a member or a client (via the member) to close a purchase or sale transaction on the basis set out in rule 10.110; and
15. Manage the settlement of off book trades where ring-fencing has occurred.

345	Rule 10.50.1	5
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What is a client required to do prior to placing a sale order in Equity Securities?

1. In the case of a non-controlled client, ensure that the client has appointed a CSDP.
2. In respect of a sell order ensure that :
 - a. the equity securities to be sold are held in uncertificated form by the member's CSDP, in the case of a controlled client, or by the client's CSDP, in the case of a non-controlled client; or
 - b. a controlled client is able to evidence to a member that they own the equity securities to be sold in uncertificated form and that such securities will be available for on settlement date; or
 - c. another transaction has been concluded which provides for an equivalent amount of equity securities being available for settlement on settlement date; or
 - d. a satisfactory borrowing arrangement is in place which provides for an equivalent amount of equity securities being available for settlement on settlement date; or
 - e. a corporate action provides for an equivalent amount of equity securities being available for settlement on settlement date; or
 - f. the equity securities to be sold will be transferred from a foreign register to the local register and such securities will be available for settlement on settlement date.

Question	Reference	Marks
346	Rules 10.70 1-5	5

What are the settlement obligations of a non-controlled client?

1. Settle through the client's CSDP.
2. Give instructions to CSDP to settle by not later than 12h00 on the first business day after trade date.
3. If a correction of an allocation results in a new trade the client must give its CSDP the instruction to settle in sufficient time to enable the CSDP to commit to settle by 12h00 on the 2nd business day after trade date.
4. Ensure and procure that his CSDP has committed to settle by 12h00 on the 2nd business day after the trade date.
5. If his CSDP has not committed to settle in terms of 4 above, ensure that his CSDP commits to settle by 15h00 on the 2nd business day after the trade date.

347	Rule 10.80	2
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What are the settlement obligations of a controlled client?

By no later than 16h00 on the first business day after trade date to ensure that the member will be in a position to settle the transaction on settlement date either by

1. providing the equity securities or funds required to settle the transaction. OR
2. Entering into an arrangement with the member to facilitate settlement of the transaction.

348	Rule 10.90	7
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Itemise 7 of a member's settlement obligations.

1. Endeavour to ensure settlement of transactions it has effected.
2. Settlement officer must advise SA when any equity securities transaction is unlikely to settle.
3. It may not alter or stop payment in respect of a STRATE settlement instruction.
4. Ensure that its CSP or settlement agent (if applicable) complies with the rules.
5. By no later than 12H00 on the 2nd business day after the trade to ensure that its CSDP has committed to settle in respect of controlled accounts.
6. Assume the obligation to settle by 16h00 on the 2nd business day after the trade date if a non-controlled client is unable to settle.
7. By 18h00 on the 2nd business day after trade date to ensure that the CSDP of a member commits to settle any transactions in respect of the member's non-controlled clients assumed in terms of 6 above.

349	Rule 10.90.9	2
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What is a member required to do if a client, at any stage, advises the member that it is unable to settle or the member otherwise becomes aware that the client is not able to settle?

1. Endeavour to enter into an arrangement to ensure settlement.
2. If unable to do so, immediately notify the Settlement Authority.

Question	Reference	Marks
350	Rule 10.90.10	2.5

Having notified the SA that a client is unable to settle and the SA is able to procure settlement of the transaction by means of borrowing equity securities or funds, as the case may be, what is a member required to do by no later than close of business on the next business day?

1. In respect of a sale transaction, buy such securities either for the account of the relevant client or for the member's own account; or
2. In respect of a purchase transaction, sell such securities either for the account of the relevant client or for the member's own account;

in order to ensure the return of the securities or funds to the Settlement Authority.

351		
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Reserved

352	Rule 10.90.12	1
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What is a member specifically prohibited from using when complying with settlement obligations?

A member must not use a client's equity securities to settle the obligations of:-

1. Another client or
2. A proprietary position

Question	Reference	Marks
353	Rule 10.140.2	12

On which unsettled transactions may the JSE require a member to provide margins before 12h00 on the 2nd business day after the trade?

1. In respect of a non-controlled client transaction where, by end of day on the third business day after the trade date, the CSDP of the non-controlled client has not committed to settle the transaction on behalf of that client.
2. In respect of a controlled client sale transaction where, by end of day on the third business day after the trade date, the controlled client :
 - a. does not have sufficient equity securities in the custody of the member or the member's CSP for the transaction to settle on settlement date;
 - b. has not entered into a securities borrowing arrangement to facilitate settlement of the sale on settlement date, as reflected on the BDA system; or
 - c. has not concluded a purchase transaction which is due to settle on or before the settlement date of the sale and which will provide sufficient equity securities for the sale to settle on settlement date.
3. In respect of a controlled client purchase transaction where, by end of day on the third business day after the trade date, the controlled client :
 - a. does not have sufficient funds in the custody of the member or the member's CSP for the transaction to settle on settlement date; or
 - b. has not concluded a sale transaction which is due to settle on or before the settlement date of the purchase and which will provide sufficient funds for the purchase to settle on settlement date.
4. In respect of a sale transaction for the member's own account where, by end of day on the third business day after the trade date, the member :
 - a. does not have sufficient equity securities available for the transaction to settle on settlement date;
 - b. has not entered into a securities borrowing arrangement to facilitate settlement of the sale on settlement date, as reflected on the BDA system; or
 - c. has not concluded a purchase transaction which is due to settle on or before the settlement date of the sale and which will provide sufficient equity securities for the sale to settle on settlement date.
5. In respect of a purchase transaction for the member's own account where the member has not concluded a sale transaction due to settle on the settlement date of the purchase which will provide sufficient funds for the purchase to settle on settlement date.

354	Rule 10.110.1	5
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What are the principles in terms of which a failed trade will be dealt with?

1. The Settlement Authority will match a failed trade against an opposite transaction or transactions represented by one or more contract notes, being mindful of any apparent implications for the parties concerned.
2. The Settlement Authority will advise the non-failing member that its transaction has been selected in terms of rule 10.110.1.1.
3. If the non-failing party is a client, the Settlement Authority will transfer the original transaction of the non-failing party to a proprietary account of the non-failing member.
4. The Settlement Authority will book an opposite settlement transaction through Strate between the failing member and the non-failing member for the same quantity and at the same price as the non-failing party's original transaction.

355		
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Reserved

Question	Reference	Marks
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356		
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Reserved

357	Rule 10.160.4	0.5
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Who shall be responsible for the payment of any penalty imposed on the member by the Settlement Authority where the client was at fault for causing a failed trade?

The client who caused a failed trade.

Complaints and Disputes

Question	Reference	Marks
358	Rule 11.10.1	4
<p>What are the criteria for a client complaint to be handled by a member's internal complaints procedures?</p> <p>Any client complaint in relation to the provision of regulated services, in which the client alleges that he has suffered, or is likely to suffer, financial prejudice as a result of the member –</p> <ol style="list-style-type: none"> 1. contravening or failing to comply with any instruction given by the client, or any agreement or mandate entered into with the client; 2. contravening or failing to comply with the rules and the directives; 3. acting dishonestly, negligently or recklessly; or 4. treating the client unfairly 		
359	Rule 11.20.1	2.5
<p>What must a member's internal complaint handling procedures provide for?</p> <ol style="list-style-type: none"> 1. The receipt of oral or written complaints. 2. The appropriate investigation of complaints. 3. An appropriate decision-making process in relation to the response to a client complaint. 4. Notification of the decision to the client. 5. The recording of complaints. 		
360	Rule 11.20.2	6
<p>What must a member's internal complaint handling procedures be designed to ensure?</p> <ol style="list-style-type: none"> 1. All complaints are handled fairly, effectively and promptly. 2. Recurring or systemic problems are identified, investigated and remedied. 3. The number of unresolved complaints referred to the JSE are minimised. 4. Complaints are investigated by an employee of sufficient competence who, where appropriate, was not directly involved in the matter which is the subject of a complaint. 5. The employee responsible for the resolution of complaints has the necessary authority to resolve complaints or has ready access to an employee who has the necessary authority. 6. Relevant employees are aware of the member's internal complaint handling procedures and comply with them. 		
361	Rule 11.30	2
<p>Within what time must a member respond to a client complaint?</p> <ol style="list-style-type: none"> 1. Within 4 weeks of receiving the complaint. OR 2. Within such period, provide the complainant with an appropriate explanation as to why the member is not, at the time, in a position to respond. AND 3. Must indicate when the member will respond. 		
362	Rule 11.40.1	1
<p>What must a member do in the circumstances where it decides that redress in the form of compensation is appropriate in resolving a complaint?</p> <p>The member must provide the complainant with fair compensation and must comply with any offer of compensation made by it which the complainant accepts.</p>		

Question	Reference	Marks
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363	Rule 11.40.2	0.5
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What must a member do in the circumstances where it decides that redress in the form other than compensation is appropriate in resolving a complaint?

The member must provide the redress as soon as practicable.

364	Rule 11.50	2
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A member must maintain a record of all client complaints.

1. What must the record of complaints include? AND
 2. For how long must the records be maintained?
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1. The records must include:
 - a. The identity of the complainant;
 - b. the substance of the complaints;
 - c. all correspondence in relation to the complaint.
 2. For a period of 5 years from date of receipt of the complaint.

365	Rule 11.60.2	0.5
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To whom may a client lodge an unresolved complaint?

The Director: Surveillance.

366	Rule 11.60.2	0.5
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In what circumstances will a client complaint be deemed to be unresolved?

The complainant is not satisfied with the resolution of the complaint proposed by the member.

367	Rule 11.60.3	2
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Within what period must a complaint be lodged with the Director: Surveillance in order for an unresolved complaint to be considered by the JSE Surveillance Department?

The complaint must be lodged within 4 weeks of the receipt by the complainant of the member's response and within 6 months of the conduct by the member giving rise to the complaint.

368	Rule 11.60.4	1
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Will an unresolved complaint that is lodged outside prescribed period be considered by the JSE Surveillance Department?

Yes, provided that failure to lodge the complaint within the relevant period was through no fault of the client.

369	Rule 11.60.7	1
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What action will be taken by the Director: Surveillance if the If the JSE Surveillance Department is unable to facilitate a resolution of the complaint within 4 weeks of lodgement of the complaint?

The Director: Surveillance will refer the unresolved complaint to the Company Secretary of the JSE to be dealt with in terms of the dispute resolution rules.

Question	Reference	Marks
370	Rule 11.70.1	4

What is the intention of the dispute resolution rules?

The dispute resolution rules are intended to facilitate the equitable and expeditious settlement of disputes that –

1. a client has with a member, in respect of an unresolved complaint;
2. a member has with another member, in respect of transactions in equity securities; or
3. a member has with a client, in respect of transactions in equity securities.

371	Rule 11.70.2	5
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What are the only circumstances where the dispute resolution rules apply?

The dispute resolution rules only apply –

1. Where the amount in dispute is in excess of R2 000;
2. Where the dispute is not the subject of existing litigation;
3. In the case of a dispute that a client has with a member, where the amount in dispute either does not exceed R500 000 or, where the amount in dispute exceeds R500 000, if the consent of both parties to proceed has been obtained;
4. In the case of a dispute that a member has with another member, if the members are able to evidence to the satisfaction of the Director: Surveillance that reasonable endeavours have been made by the said members to resolve the dispute, and the consent of both parties to proceed has been obtained;
5. In the case of a dispute that a member has with a client, if the consent of the client to proceed has been obtained.

372	Rule 11.80.2	1
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Within what period must a dispute between two members in respect of transactions in equity securities be reported in writing to the Company Secretary and by whom?

The dispute must be reported by either member within 1 week of the circumstance giving rise to the dispute having arisen.

373	Rule 11.80.3	1
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Within what period must a dispute a member has with a client in respect of transactions in equity securities be reported in writing to the Company Secretary and by whom?

The dispute must be reported by the member within 6 months of the circumstance giving rise to the dispute having arisen.

374	Rule 11.100.1	1
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Who will be appointed by the JSE to consider a dispute?

An ombud, who is a retired judge of the High Court of South Africa or a Senior Counsel.

375	Rule 11.100.9	1
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Will the dispute resolution proceedings be conducted with legal representation?

No, unless the ombud in his sole discretion decides otherwise.

Question	Reference	Marks
376	Rule 11.100.10	0.5
<p>In reaching a decision, may an ombud consult with any third party regarding any issue relating to the dispute?</p> <p>Yes.</p>		
377	Rule 11.100.10	0.5
<p>Does an ombud have the discretion to call upon any third party to participate in the dispute resolution proceedings?</p> <p>Yes.</p>		
378	Rule 11.100.14	1
<p>Is an ombud's decision regarding a dispute final and binding on the party against whom the decision is made?</p> <p>Yes.</p>		
379		
<p>Reserved</p>		
380	Rule 11.100.13	2
<p>In what circumstances is an ombud not obliged to provide a ruling on a dispute?</p> <p>If the ombud is of the view that the dispute is of such a complex nature that it cannot be resolved expeditiously by means of the dispute resolution process and can only be properly considered by a court of law.</p>		
381	Rule 11.100.14	0.5
<p>Within what period must the party against whom the decision is made comply with a decision made by an ombud?</p> <p>1 week.</p>		
382	Rule 11.100.15	6
<p>What process will the JSE employ if a member against whom an ombud has made an adverse finding is unable to satisfy its obligations, as provided for in the ombud's decision, within the prescribed period?</p> <ol style="list-style-type: none"> 1. The JSE will consider the reasons for the member's inability to satisfy the ombud's decision and may declare the member in default. 2. The claimant will be permitted to lodge a claim against the JSE Guarantee Fund for the fulfilment of the member's obligations in terms of the ombud's decision. 3. The JSE will have a subsequent claim against the member for the amount of the member's obligations to the claimant, as provided for in the ombud's decision, which the JSE Guarantee Fund has satisfied. 		
383		
<p>Reserved</p>		

Question	Reference	Marks
384	Rule 11.110.1	1

Who is responsible for the costs of the proceedings and when must payment be made?

The parties to any dispute resolution proceeding are responsible for the costs of the proceedings and may be required to pay to the JSE, before the proceedings commence.

385	Rule 11.110.2	0.5
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Against whom may an ombud, as part of his award and as he deems appropriate in the circumstances, make an order on costs for payment of all the costs of the proceeding?

The unsuccessful party.

Supervision and Enforcement

Question	Reference	Marks
386	Rule 12.10.2.1	4

Which activities or compliance issues may be investigated by the Director: Surveillance and any other person designated by him?

1. Any JSE related activities of any person who at the relevant time was a member or an employee of a member.
2. Whether a member or any of its employees complies with the Act, the rules and directives, and the Financial Intelligence Centre Act.
3. Whether a member is trading in such a manner that there is a danger that the member may not be able to meet its commitments to clients, other members or a settlement system.
4. Whether a member is conducting its business in a manner which could be detrimental to the JSE or its members.

387	Rule 12.10.2.1.5	3
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Which persons may be questioned by the Director: Surveillance and any other person designated by him in relation to an investigation by the JSE Surveillance Department?

Any person who is subject to the jurisdiction of the JSE and who is believed to be able to furnish information on the subject of the investigation or to have in their possession or under their control any book, document, tape or electronic record or other object which has a bearing on the subject of the investigation, to produce such book, document, tape or electronic record or other object or to appear at a time and place specified, to be questioned by any of the abovementioned persons, to furnish such information or to produce such book, document, tape, electronic record or other object, provided that the subject of the investigation has first been put to such person.

388	Rule 12.30	3
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List 3 acts or practices which constitute improper conduct in terms of the rules.

1. Committing or attempting to commit any act which is dishonest or fraudulent.
2. Being a party to, or facilitating or conducting a transaction which is fictitious or has a dishonest or unlawful motive.
3. Contravening, attempting to contravene, or failing to comply with any provision of the Act, a rule or a directive.
4. Negligently or recklessly conducting the business of the member in such a way that actual or potential prejudice

is, or may be, caused to the JSE, any other member, a client or the general public.

5. Committing or attempting to commit any act which is detrimental to the interest, good name or welfare of the JSE or its members.
6. Knowingly obstructing the business of the JSE or its members.
7. Failing to assist the JSE Surveillance Department in the exercise of its duties.

389 **Rule 12.40.1** **3**

If on conclusion of an investigation, the Director: Surveillance is of the opinion that there are grounds for an allegation of improper conduct, which bodies may he refer the matter to and under what circumstances?

1. A Disciplinary Committee if the alleged conduct might warrant a penalty less serious than that which would require the matter to be referred to a disciplinary tribunal.
2. A Disciplinary Tribunal if the alleged conduct might warrant a fine in excess of R25 000 per contravention, or suspension or termination of membership or employment with a member.

Question **Reference** **Marks**

390 **Rule 12.70.2** **2**

For what purpose may an Urgent Issues Committee be appointed?

To consider whether a member is -

1. Operating in such a manner that there is imminent danger that the member may be unable to meet its commitments to clients, other members, a settlement system or another exchange.
2. Conducting business in a manner which could be detrimental to the interest of the JSE, its member or the public.

391 **Rule 12.70.4** **3**

What action may an Urgent Issues Committee take against a member?

1. Prohibit the member from trading.
2. Restrict the trading activities of the member.
3. Give the member such instructions as it deems necessary in the interests of the member's clients or any settlement system or another exchange.

Default

Question	Reference	Marks
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392	Rule 13.10.1	3
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When shall a member in terms of the rules be regarded as being in default?

A member shall default if –

1. it is unable to meet its commitments to another member, the JSE, a JSE settlement system or a non-member, arising out of a transaction or a JSE settlement system instruction; or
2. the JSE, in its sole discretion, considers that it has defaulted

393	Rule 13.20.2	4
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What are the rights of the JSE if a member has been declared to be in default and membership is provisionally terminated?

1. The member will be suspended from trading;
2. Any amount payable by the JSE to the member shall be set off against any amount payable by the member including penalties
3. the member must hand over to the JSE –
 - such financial records of the member as the Director: Surveillance deems necessary for the identification, protection and return of client assets and to facilitate the settlement of outstanding transactions in equity securities; and
 - the control of all client assets;

394	Rule 13.30.4	1
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In the case of a defaulting member, how should the JSE go about to procure the settlement of open transactions in the first instance when buying in or selling out securities?

The JSE must first use any guarantees or margin provided by the defaulting members to settle open transactions when buying in or selling out securities.

395	Rule 13.30.5	1
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If guarantees and margin are insufficient to cover the settlement of open transactions when buying in or selling out equity securities, how will the JSE recover any loss or costs from the defaulting member? costs for payment of all the costs of the proceeding?

The JSE will recover any loss or costs from a defaulting member by selling as many of the defaulting member's remaining equity securities as is necessary to realise an amount equal to the amount still owing to the JSE.

396	Rule 13.40.2	2
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If a member is declared to be in default, what are the duties of the Director: Surveillance with regards to client assets?

The Director: Surveillance must ensure that:

1. Any client assets are identified as such and
2. Only unencumbered client assets are returned to the client

Krugerrands

Question	Reference	Marks
397	Rule 1.40	0.5
Define "settlement period"		
One of the prescribed portions of the year for the settlement of Krugerrands, as set out in the directives.		
398	Rule 15.10.1	0.5
Do the provisions of the Act and the rules and directives which apply to equity securities also apply to transactions in Krugerrands?		
Yes, where applicable.		
399	Rule 15.10.2	0.5
<ol style="list-style-type: none"> 1. Is a client entitled to claim or demand from a member Krugerrands which can be related to or identified with any specific transaction? OR 2. Can a selling client insist that the Krugerrands he delivers must be delivered to a specific member in settlement of a particular transaction? 		
<ol style="list-style-type: none"> 1. No. 2. No. 		
400	Rule 15.10.3	0.5
A contract note need not be issued by a member to its client in respect of each transaction in Krugerrands. True or False?		
False.		
401	Rule 15.10.4	1.5
<ol style="list-style-type: none"> 1. How are Krugerrands required to be delivered? 2. When are Krugerrands required to be delivered between members? 3. Is a purchasing member obliged to accept a part delivery in respect of a Krugerrand transaction? 		
<ol style="list-style-type: none"> 1. Directly between members. 2. On any business day of the new settlement period during the hours laid down in JSE directives. 3. No. 		
402	Rule 15.10.5	3
What procedures must be followed when deliveries of Krugerrands are made between members?		
<ol style="list-style-type: none"> 1. The delivering member must affix its member's rubber stamp to and sign each of the 2 delivery slips produced by the BDA system. 2. Upon acceptance of the Krugerrands the receiving member must affix its member's rubber stamp to and countersign the 2 delivery slips and retain 1 for its records. 3. The deliverer's copy must be returned to the delivering member. 4. Payment in respect of such deliveries must be effected either by bank marked cheque or electronic transfer of funds as arranged between members. 		

Question	Reference	Marks
403	Rule 15.10.6	1.5

What does acceptance of delivery of Krugerrands by a member or client constitute?

An acknowledgement that the receiver has inspected the coins and that they are genuine which, in the case of coins held in safe custody, will only be effective upon acceptance out of safekeeping.

404	Rule 15.10.7	1
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When must a purchaser pay a member for Krugerrands which a member has agreed to hold in safe custody?

Against acknowledgement by the member that coins have so been placed in safekeeping.

405	Rule 15.10.7	2
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What must a member do when Krugerrands purchased on behalf of clients come into its possession?

1. Allocate them in the member's records as soon as practicable so as to establish the identity of the purchaser.
2. Place the coins in safe custody if mandated to do so.
3. Deliver them to the client if they are fully paid for, or offer them to the client for payment.

406	Rule 15.10.8	2
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What provisions apply where a member and a client enter into an agreement which authorises such member to hold Krugerrands in safekeeping on behalf of the client?

1. A signed mandate which must contain the minimum requirements prescribed by the JSE must be obtained from the client.
2. The coins must be deposited by the member in a safe custody container with a banking institution or in a suitable container in the member's safe in a strong room.
3. A register of each mandate and a safe custody ledger must be kept.

407	Rule 15.10.9	1.5
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How are transactions in Krugerrands required to be recorded in the books of a member?

On the same basis as a record is maintained for transactions in equity securities except for coin movements which needs not be entered in the securities scrip register but a separate register may be used for that purpose.